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The COMMERCIAL and FINANCIAL CHRONICLE

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Britain and U. S. Elections

By PAUL EINZIG

Dr. Einzig sees election results as indicating there will be no substantial U. S. tariff cuts. Holds this will spare Britain indignity of wriggling out of commitment taken under Anglo-American Loan Pact to return to full multilateral trade and abandon trading privileges in Sterling Area. Says present export drive brings few dollars.

Paul Einzig

LONDON, ENG.—One of the results of the Republican victory at the Congressional elections is that it will spare Britain the trouble and indignity of wriggling out of the commitments undertaken in the Washington Loan Agreement, concerning non-discrimination in foreign trade. During recent weeks there have been indications that official circles in

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The High War Cost and British Foreign Trade Policy

By H. A. MARQUAND, M.P.

Secretary for Overseas Trade and Leader of U.K. Delegation at Preparatory Committee for World Conference on Trade Employment

British Trade official points out six-year all-out war effort necessitated large-scale sale of overseas investments, greatly increased indebtedness, and reduced living standard. Present efforts centered on drive for exports, on which surprising progress has been achieved—their volume already exceeding 1938 level. Under strict government controls, imports are being confined to 70% of prewar. British policy holds both reduction of trade barriers and internationally-induced full employment are mutually indispensable for generally raised living standards.

As we look towards the building of the peace—to the difficulties and the problems maybe, but also to the opportunities which lie ahead — we are loathe to hark back to the troubled times of war. Yet economically the war cost Great Britain a very great deal, and her foreign trade policy today must take account of this fact.

H. A. Marquand

The Effects Of War

To sustain six years of all-out war effort Britain had, in the first place, to sell a large proportion of her overseas investments. Then, with the introduction of Lend Lease by the U. S. A. and Mutual Aid from Canada, we reduced our export trade to under one-third of its pre-war volume. The war cost us over half our tonnage of shipping. We lowered the standard of living of our people and mobilized all our man and womanpower, and industrial plant, for the prosecution of the war. In addition to all this, as a result of vast military expenditure overseas

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Inflationary Experiences in France—The Effects on Business

By J. de LARGENTAYE

Executive Director of the International Monetary Fund

Mr. de Largentaye traces his country's historical inflationary experiences, holding they have been favorable to business. States many concerns nevertheless suffered losses from inflation during World War II. Reports French concerns now are making profits and will probably be benefited by inflation if this one is gradually reduced. Decries inflation on social, political, and economic grounds, but as lesser evil than deflation which allegedly is chronic and not self-correcting.

Liberal economic theory teaches that inflation is accompanied by an increase of business profits. When the effective demand tends to surpass the capacity of production, the balance which then necessarily exists between these two elements is re-established by a rise in prices. While people with fixed incomes as well as the salaried class see their real incomes diminish and must reduce their consumption, entrepeneurs on the contrary profit from favorable conditions. Competition among them is lessened and the price of commodities is no longer maintained at the level of cost plus a normal margin of profits. The increasing difference between the price and the cost creates in their favor an exceptional profit of scarcity, which

J. de Largentaye

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Securities Regulation Will Be Relaxed

By JAMES J. CAFFREY*

Chairman, Securities and Exchange Commission

SEC chairman pledges honest administration free of vindictiveness, and "sensible" application of law. Discloses Commission proposals for series of changes making for simplification of prospectus requirements, to lessen registrants' burdens and speed up processing of registration statements. Tentative plans call for complete scrapping of some forms, and revision of others. Underwriting contract details and remuneration disclosure to be abbreviated.

James J. Caffrey

We have a mutual concern—it is with the vitality and safety of the great market places in which the American investor trades. The market is a dynamic thing, it goes through broad phases, the nature of its problems changes.

The recent elections have come and gone, but our concerns for the health and safety of the markets goes on forever. I am not running for office. I have no campaign oratory to make and no bill of goods to sell. For that reason I can be brief. But for that reason too, I will be serious. Tonight I want

*An address by Mr. Caffrey before the Association of Stock Exchange Firms, New York City, Nov. 18, 1946.

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The Challenge to Leadership

By ERNEST R. BREECH*
Executive Vice-President, Ford Motor Co.

Leading auto executive, asserting elections indicate people are waiting for new leadership, says it can be supplied by business and industrial management. Says our economy is a "Profit and Loss System," and business at times must assume losses, citing Ford's loss of $51 million in 1946. Points out declining profits trends and uncertainties of business profits. Defends "bigness" as essential to mass production, but holds problem arises from loss of personal contact with employees—a gap organized labor now fills. Contends there's too much isolation of business management and wants more consultation between business, labor and government.

To anyone who reads the daily newspapers and listens to the radio and studies public opinion polls, we seem to be a nation working at cross purposes and without clear direction.

We are told that respect for our country abroad has declined since the end of the war. Here at home there is evidence that black-marketeering and a rising tide of criticism of what people look upon as government blundering have led us into an unhealthy disrespect of law and order.

E. R. Breech

The results of our recent national elections are interpreted by many as proof of general dissatisfaction with the way things are going.

Labor leaders, we are told, are breaking down public confidence in organized labor because they put their own interests ahead of the general good. In the opinion of much of the American public, the strike—generally recognized as a legitimate "last resort" tool in orderly collective bargaining—is being misused to create labor monopolies and to strengthen the personal political power of individual labor leaders. It is pointed out that many of the strikes which have hampered production have not really been strikes against employers at all, but maneuvers in the internal political battles which mark wars between unions. We are reminded that they have, at times, broken completely out of the field of negotiations between employer and employee to become outright attempts to coerce our government.

Farmers, who maintained that they could not, without financial loss, sell their beef, pork and mutton and butter and eggs at controlled prices, have been accused of withholding food from the American people because of selfish greed.

While the American people think that business leaders, on the whole, have done more than government leaders or labor leaders

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*An address by Mr. Breech before the Chamber of Commerce, Jefferson City, Mo., Nov. 14, 1946.

Predicts Severe Depression

Historian James Truslow Adams, former member of New York Stock Exchange, bases statement on past postwar patterns and advises getting out of speculative stock within a few years "because next crash will make 1929 look like a piker."

James Truslow Adams in his Treasurer's Report delivered on Nov. 19, at the annual meeting of the American Academy of Arts and Letters at the Academy's offices, 633 West 155th Street, predicted that the "next crash will make 1929 look like a piker."

James T. Adams

Dr. Adams, historian and writer, is the Treasurer and Chancellor of the American Academy. He was a former member of the New York Stock Exchange, winner of the 1922 Pulitzer Prize in American history for his volume, "The Founding of New England," and is a Trustee of the Bridgeport People's Savings Bank.

His analysis, which employs American history as a frame of reference, traces the patterns of inflation and depression following our wars from the Revolution to World War II.

His report follows:

"In my opinion, the pattern of prices in stocks and commodities after every great war has been practically the same, at least since the American Revolution. I think the pattern remains the same because it is based not on any economic laws, in which I do not believe, but on old human nature, which does not change. This pattern, although the periods vary as to months and even occasionally a year or two, has been that after a war ends and peace is declared, there are a couple of years or so of sudden prosperity. Then wages, prices of farm products and manufactured products and all the other factors, get out of kilter and the maladjustments have to be corrected by a serious general decline which may last about a couple of years. Then comes a new period of rather wild speculation when the maladjustments seem to have been overcome.

"For example, after the American Revolution, peace was signed in 1783 although the war had practically been over since 1781. There was apparent prosperity until 1785 because human nature asserted itself and having been deprived of many accustomed things during the long war, started in to buy. Wages went up, the merchants' shelves became overstocked and all the things happened which we have just been witnessing. Then there were two years, from 1785 to 1787, when there was intense depression and the farmers marched on courthouses and closed them in Connecticut, Massachusetts, and so on, so that their farms could not be foreclosed. When the maladjustments got straightened out a bit, we had a period of inflationary speculation which lasted until the early 1790's when Colonel Duer, the greatest speculator in New

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Shields & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Augustine J. Doherty has been added to the staff of Shields & Co., 135 South La Salle Street. He was previously in the U. S. Navy.

With J. A. White & Co.

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, OHIO—Joseph B. Wise has been added to the staff of J. A. White & Co., Union Central Bldg.

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Boom or Bust?

By S. B. LURIE

Market Analyst, Paine, Webber, Jackson & Curtis

Analyst cites following factors unfavorably determining the level of industrial production: (1) prospective buyers' market in soft goods; (2) consumers' rebellion against high prices; (3) deflationary potential in continued inventory accumulation; (4) indicated thwarting of the building boom; (5) declining trend in capital outlays; and (6) the reversal in deficit spending. However, Mr. Lurie concludes we will not have a major depression but merely a "deflationary gap"; and—noting stock market has successfully withstood successive waves of liquidation—that 1946-1947 prices will not appreciably break recent bottom; that stocks may be bought for strong rallies; but that a real bull market is still far off.

Sidney B. Lurie

Although not borne out by speculative psychology, the stock market in effect has done little more than fluctuate between hay and grass for the past two months. No better illustration is needed than the fact that cash obtained from the liquidation of equities in recent weeks does not enjoy a significant increase in purchasing power as of today. Thus the market itself raises two questions: (1) Is the stability achieved within a 15-point trading range merely a hiatus before another storm? Or (2) is the change in pace, following the post-Labor Day panic, a significantly favorable omen?

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AN EDITORIAL

The Mountain Labored —Result: One Mouse

An Appraisal of the Federal Reserve Board's Revision of Its Consumer Credit Regulation

As Mr. Dooley once said: "The Supreme Court follows the election returns." This obeisance to the electorate's expressed will is even more widely demonstrated today. For surely Mr. Truman's display of firmness toward Mr. Lewis, and Chairman Caffrey's announcement of relaxation of SEC control, are not unrelated to the result of the people's Nov. 5 balloting.

But the Federal Reserve Board is unique in refusing to follow this tradition—or, at most, in being a very recalcitrant follower of the electorate's mandate. The Board's action of last Friday in relaxing certain consumer credit restrictions under its Regulation W, while maintaining a firm restraint on such vital products of our economy as automobiles and household appliances, is hardly in accord with the mandate of the American people who voted to end the war-born government controls over our economy.

Government agencies and bureaus chronically die hard when it is necessary for them to relinquish powers they have enjoyed. We have observed a reluctant scurry to

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Outlook for Austria's Reconstruction

By DR. VICTOR KIENBOCK

Advisor and Former President, Austrian National Bank

Austrian banker notes improvement in Austria's economic situation during pre-Hitler period, as evidencing permanent adjustability of population. Although her problem is more difficult now, Dr. Kienbock cites favorable factors of greater goodwill of neighboring countries, and increase in electric energy and oil output which enhances independence from coal importing. Insists Hitler-stolen property must be returned to original owners.

Anyone who has concerned himself with the economic reconstruction of Austria will doubtless recall the experiences in the economic rebuilding of Austria in the years from 1919 to 1938. The territory of Austria is now the same as then, and the population—if no account is taken of displaced persons and the occupying forces—is probably approximately the same. It is noteworthy that Austria, which, immediately after the end of the first world war, had been left as a remnant of the great old state, found itself in acute distress, and, in the first years after the first world war, presented hardly an encouraging picture. If now we cast a summary glance over the way in which conditions developed since the year 1922, in which the reconstruction of the economy began, up to the rape by Hitler, we find the following impressive figures:

Dr. Victor Kienbock

The Situation After World War One

In the year 1923 the necessary imports of cereals (wheat, rye, barley and oats) amounted to around 7 million quintals; in the year 1936 it had fallen to 4 million quintals. The necessary imports of potatoes amounted, in the year 1923, to 780,000 quintals, in 1936 to only 76,000 quintals; the necessary imports of sugar, in 1923, were 1 million quintals, whereas in 1936 almost no imports at all were needed. Of milk and milk products there were necessary imports, in the year 1923, amounting to 939,000 quintals; in the year 1936, there was, instead of necessary imports, an export surplus of 180,300 quintals. Of coal, there was, in 1923, a required import of 4,528,000 quintals; in the year 1936 there were required imports of 2,550,000 quintals. The tourist traffic showed, in 1923, 13,300,000 million overnight bookings, in 1936 there were 19,629,000 overnight bookings; at the same time the frequency of travel from Germany was declining, while journeys by foreigners from other countries showed an increasing number of visitors. The balance of payments of Austria in the last years before Hitler's invasion, without the assumption of new foreign debts by Austria, had become stabilized, and exchange

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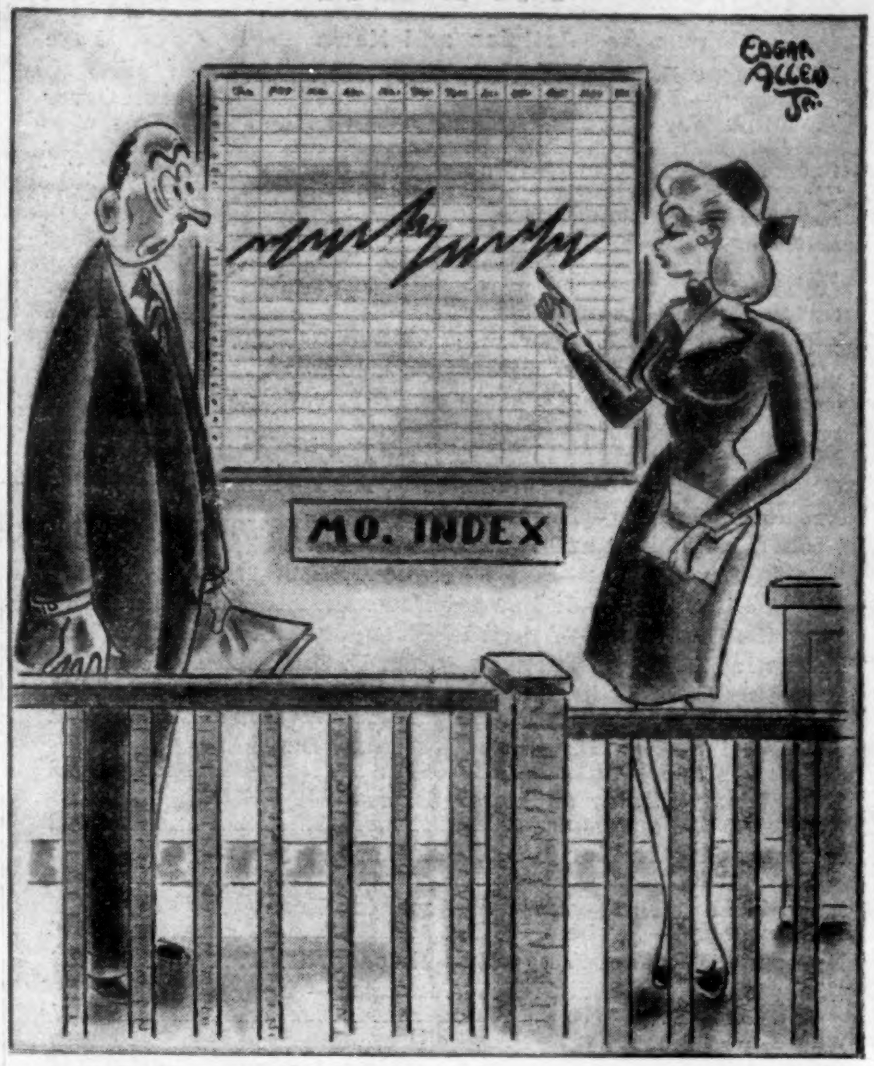
BUSINESS BUZZ



"You Businessmen Are Certainly Careless With Your Charts. If You Had Used A Ruler You Would Have A Nice Even Line Instead of That Ugly, Crooked Thing!"

Switzerland's Wartime Economic Policy

By ERNEST SPEISER

Swiss State's Councillor; Director, Brown Boveri & Co.; Former Head of Federal War Office for Industries and Work.

Swiss official, denying pro-Axis wartime slant by Switzerland, cites data to show that she obtained considerably more from Germany than she gave her. Points out Switzerland's strict observance of treaties with all countries, a necessity for all weak powers. Maintains free democratic Switzerland was vital to the preservation of resistance against European totalitarianism.

It should be stated first of all, that in all her trade relations, both with Axis powers and with the Allies, Switzerland strictly observed the rulings of the Hague Convention of 1907 for wars on land, as well as the treaties she successively signed with some of the belligerent powers. Among these latter the most important was the War Trade Agreement made with the Allies on April 25, 1940, which fixed the exact limits within which Switzerland was able to trade with the Axis. It provided among other things that no goods should be re-exported in an unaltered state, and that the whole export to Germany must be kept within the normal compass of the preceding years.

Ernst Speiser

The first agreement with Germany on the rulings of the "counter-blockade" dates from Aug. 9, 1940.

Observance of Treaty Obligations

It is obvious that the other belligerent party in each case was informed of the contents and implications of such agreements, for indeed these were the basis on which Switzerland had to negotiate with both camps. Switzerland knows from long experience that absolute loyalty to treaties is

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The America of Tomorrow —An Optimistic Outlook

By HON. JOHN W. SNYDER*
Secretary of the Treasury

Secretary Snyder holds our present problems exist against background of a highly flourishing country. Citing current constructive economic factors, he declares inevitability of a material recession is wholly untrue, but we must guard against depression psychology. Says tax policy must be determined in light of necessity for debt reduction.

We all have a community of interest in our efforts to insure a healthy domestic economy, to maintain a sound government financial program, to insure stability of our currency, and to stimulate expansion of our world trade.

John W. Snyder

Upon a successful solution of the problems before us today depends, to such an important extent, the fashion in which we build our "America of Tomorrow."

During recent months, the attention of the American people has been centered on politics. But the outcome of the recent election has not changed the necessity for a bi-partisan approach to our basic problems.

Whatever happens in elections, the administration of public affairs cannot be halted for a day, for a month, or for a year. It is vital that the operations of government proceed on a sensible and efficient basis, with full cooperation between the various elements.

The difficulties we will encounter in the solving of troublesome issues remain the same. And the solution to these questions cannot be found by any one man, or by any one group of men.

President Truman has pledged the best efforts of his Administration toward such cooperation, and the response to his plea for unity of effort has been most gratifying.

"Facts are facts." Whatever has taken place politically, the bright aspects of our national material progress are still bright.

Many problems remain to be solved, and I would not belittle their importance and significance. But I would remind you that it is against the background of an America flourishing as it has never flourished before in its history that we must solve these problems.

It is of extreme importance that the Legislative and the Executive Branches work out a program of cooperation to assure our present state of full production, full employment, and high national income; to maintain our standard of

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*An address of Mr. Snyder before Economic Club of New York, Nov. 20, 1946.

Business Outlook for 1947

By RAYMOND RODGERS*
Professor of Banking, New York University

Maintaining high production costs are no criterion of higher prices, Dr. Rodgers points to excess productive capacity and wide-open competition as creating serious problems. Sees an imbalance in distorted wage-price relationship and an increase in competitors in each industry. Holds though demand is high, production will be higher, and cites situation in industries indicating demand has passed peak. Holds public is realizing prices are too high, but predicts business activity will continue temporarily at high rate.

What is happening to the greatest boom in history? Is the great World War II boom in business headed for the stratosphere and a consequent economic nose-dive, or a more gradual readjustment?

Raymond Rodgers

The stock market crash and the behavior of commodity prices, particularly the panicky drop in cotton prices, have shown that price is not a one-way street, that the old adage of "what goes up, must come down" may still rule in business affairs. The result is that thoughtful business men are insistently asking themselves the question, "Where do we go from here?"

In a world with atomic bombs and nations talking about the next war before the treaties of peace are signed for this one, only Deity could answer such a question with exactitude and finality. The best that we finite humans can do is survey the factors involved and try by analysis to arrive at some estimate as to what the future will bring. That is all that anyone can do and that is exactly what I propose to do this evening. And, in offering my *estimate* of the future, I cannot stress too strongly that it is *forecast* and not prophecy; that I am a student of business and not a prophet.

Complications Due to Artificial Conditions

Any analysis of the present business scene is complicated by the artificial conditions and forces introduced in recent years, particularly the war years. Adding to the complexities and uncertain-

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*An address by Dr. Rodgers before National Institute of Credit, New York City, Nov. 19, 1946.

Observations . . . .

By A. WILFRED MAY

**Must UN Play Santa Claus?—
Shakespeare on UNRRA**

*"Neither a borrower, nor a lender be;
For lone oft loses both it selfe and friend:
And borrowing duls the edge of husbandry."*

Unlike most of Shakespeare, Polonius' stricture against borrowing because of its alleged hindrance to husbandry, is not valid today—at least as far as the international sphere is concerned. For instance, the Czechoslovakian borrower not only "husbanded" the funds she got from the United States, but has resold them to another (Rumania) at a good profit. For good measure, she took over valuable property of our citizens through nationalization technique. And the $490,000,000 of relief that went to Mr. Tito of Yugoslavia certainly was not wastefully squandered by that gentleman. He has used American food and goods for reinforcing his partisan policy vis-a-vis his political opponents; for direct resales; for building an army a million strong; and for tribute to the Soviet.

A. Wilfred May

On the other hand, the other part of the Shakespearian psychological analysis of the debtor-creditor relationship, which refers to the instillation of hostility in the borrower, is today validated in the growing anti-American antipathy on the part of Britishers. Whereas our present critical difficulties with the Slavic countries are caused by their long-term political aspirations, British hostility seems to be engendered and stimulated by her changed status to economic dependence on us. Such feeling from our British friends began and has since steadily risen, before the ink was dry on our agreement to extend them the over-$3 billion loan.

And politically also, members of Britain's labor government seemingly are getting themselves increasingly "needled" by *Uncle Santa*. "I must warn the Foreign Minister,'" said Laborite Tom Driberg in Commons last week, "the people of this country will certainly not follow him to war now or in five years' time against Soviet Russia, *in partnership with the barbaric thugs of Detroit or the narrow imperial sts of Washington or Wall Street.*" "Let us drop this one-sided sectional association with the United States," urged another M. P., Mr. Warbey. And William Gallacher in the same House argued there is bound to be a financial crash in the United States, of which Great Britain will get the full backwash, if she is tied up with the Americans, unless she first insulates herself by building up trade agreements with the Soviet, France and other nations of Eastern Europe.

Similarly our perfectly proper cessation of Lend-Lease at the end of the War has additionally fanned the flames of long-term British resentment. Now, reflecting a widespread "beef" against our de-control and stopping of bulk purchases of food, "The New Statesman" of London in its current issue hurls the following tirade: "The United States in its mad rush back to a purely selfish capitalism, has apparently decided to walk out of *(sic)* functional internationalism . . . it is clear that on the matters that most affect Britain today, the United States is nearly as hostile to the aspirations of Socialist Britain as to the Soviet Union . . . if Mr. Bevin finds that the State Department's victory is absolute, he will have to look elsewhere for friends."

Mr. La Guardia's eloquent plea to the UN to found a gigantic International Food Fund to feed Europe in lieu of the expiring

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J. Dalton Couig Heads Hirsch & Co. Dept.

Hirsch & Co., 25 Broad Street, New York City, Members New York Stock Exchange, announce that J. Dalton Couig has become associated with the firm as manager of the institutional bond department. Mr. Couig was formerly a partner in Gregory & Son, Inc.

Wm. H. Culbertson With Merrill Lynch Firm

Merrill Lynch, Pierce, Fenner & Beane, 70 Pine Street, New York City, members of the New York Stock Exchange, announces that William H. Culbertson has become associated with them. In the past he was with F. S. Moseley & Co.

Wm. Vogler in Cambridge

CAMBRIDGE, MASS.—William H. Volger is engaging in the investment business from offices at 254 Massachusetts Avenue.

Starrett Corporation

The Starrett Corporation is engaging in the securities business from offices at 63 Wall Street, New York City.

Now Proprietorship

L. Gilbert Stover is now sole proprietor of Stover & Perkins, 42 Broadway, New York City, Herbert L. Perkins having retired from partnership in the firm.

Frank Andrews Partner In Hautz & Engel

Frank T. Andrews, formerly a member of F. T. Andrews & Co., has been admitted to general partnership in the firm of Hautz & Engel, 57 William Street, New York City, and the firm name has been changed to Hautz, Engel & Andrews, Members New York Curb Exchange.

Mr. Andrews, who has been in Wall Street since 1930, was recently discharged from the U. S. Marine Corps after four and one-half years' active duty.

James McKenna & Co.

James McKenna and Harry R. Engeman, both members of the New York Stock Exchange, are forming James McKenna & Co., with offices at 15 Broad Street, New York City, effective Nov. 21. Mr. McKenna was previously a partner in McKenna & Morris. Mr. Engeman was a partner in Reimer & Co.

The Production Outlook for 1947

By JOHN D. SMALL*
Administrator, Civilian Production Administration

Mr. Small reports present production at all-time record and predicts it can continue if the industrial boat is not rocked by runaway prices or major work stoppages. Says 1947 is likely to be a good year, and full employment will continue although production may decline from present level. Cites major problem as labor-management relations, and industrial unbalance as subsidiary unfavorable factor. Waras there is danger to a free flow of rapidly accumulating inventories, but decries need of central planning or rigid controls. Concludes decontrol will require inevitable economic adjustments creating jolts and strains to business.

I would like to review briefly our progress in reconversion since V-J Day and orient ourselves as to where we are today.

J. D. Small

In the year since V-J Day our country has practically reached the goals of full employment and full production — in spite of all the difficulties, shortages and troubles that have plagued us. No other nation has ever accomplished so much, so quickly, in industrial transition from peace to war.

American industry has absorbed the majority of the veterans who have been released from the armed services and most of the war workers who were displaced at the war's end. Most industries have completed the major plant reconversion problems. Of course, many problems remain to be solved, such as incorporating the new techniques, processes, and materials developed in the war years into the peacetime production system; adjusting production to a flow of materials in balance with the limiting material and component; adjusting labor forces to balance with production schedules and material availability; balancing prices to the markets, and re-orienting distribution to the shifts in markets that have occurred during the war years. These are not easy problems, but they are well within the capacity of industry to solve.

Since V-J Day, we have achieved the highest output of goods and services in our history. Construction activity is at close to peacetime records. New homes of the permanent type are being started at a rate that exceeds prewar rates and the average level of the 20's and is only slightly below the all-time high achieved in 1925. Building materials are being produced at peak rates in many cases and at prewar rates in most cases. The laggard building materials are increasing in production steadily, and we have hopes that they will

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*An address by Mr. Small before National Industrial Conference Board, New York City, Nov. 19, 1946.

Remedial Deflation Needed!

By JAMES R. BANCROFT*
President, American Institute of Finance

Asserting we are in an artificial and abnormal period, Mr. Bancroft sees need of a remedial readjustment between various segments of economy. Says we continue to have much wasteful production, while demand for goods in relation to potential supply is overestimated. Sees better situation than after World War I and contends no justification for forecasting disaster. Concludes when reconstruction period is ended, the most profitable securities will be those that did not advance in recent bull market. Foresees more competition, increased business mortality, and considerable degree of economic instability.

The current business picture leaves little to be desired. Controls are being removed, prices advanced, production is increasing, with demand still exceeding supply.

James R. Bancroft

The naughty and unruly stock market should certainly be soaring.

Unfortunately that is not all there is to it. We are in an artificial and abnormal period. Artificial props support some segments of our economy. In many segments an abnormally high and fragile price structure has been created.

The economy is characterized by marked price disparities among various groups of commodities. There are psychological maladjustments reflected in restlessness, industrial strife and low labor efficiency. The cost of living is rising constantly; every one, figuratively, is living beyond his means and hardly any one, literally, wants to really work.

The American Institute of Finance has found and continues to find it difficult to believe that such a situation can develop into protracted prosperity, or that it can be long sustained.

It is the natural aftermath of an all-out war. Similar conditions have existed following all previous major conflicts.

In the opinion of the Institute what we have got to face, before long, is a remedial readjustment between various segments of the economy. This does not necessarily mean depression. But, to lay the basis for an era of postwar reconstruction, the distoritions and many of the artificialities in the current situation have got to be remedied—and they can only be remedied through a period of readjustment.

Industrial output, measured by the Federal Reserve Board's index, unadjusted for seasonal variation, declined from a war peak in the spring of last year of 235 to a low of 148 in February of this year, coincident with the steel strikes

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*An address by Mr. Bancroft before Executive Club of Boston Chamber of Commerce, Boston, Mass., Nov. 14, 1946.

Marketing Outlook in 1947

By HARVEY S. FIRESTONE, JR.*

President, The Firestone Tire & Rubber Co.

Holding crying need is production, Mr. Firestone says a "boom and bust" in 1947 is possible if increased manufacturing costs and lower man-hour production force retail prices up so high that public cannot absorb output. Contends if recession occurs, it need not be either severe or prolonged, and present marketing outlook is favorable. Cautions against excessive inventories, and sees gradual return to normal conditions industry by industry. Cites three essential factors: (1) efficient production by labor and management; (2) a favorable environment for business; and (3) success in developing new and better products marketed at low prices.

H. S. Firestone, Jr.

The subject assigned to me is "The Outlook for Business from the Standpoint of Distribution and Marketing." That word "outlook" casts me somewhat in the role of an oracle and every time I am called upon to make a prediction, I am always reminded of a verse written by Samuel T. Hubbard, which goes:

"There is nothing so true as statistics and facts
Except the destruction they leave in their tracks."

This able observation is, I am sure, meant to be more of a warning than an indictment. For, as a matter of fact, our economists are right more often than they are wrong and business owes them a real debt of gratitude for the many important contributions which they have made to the economic progress of our country.

Therefore, this evening, I shall

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*An address by Mr. Firestone before National Industrial Conference Board, New York City, Nov. 19, 1946.

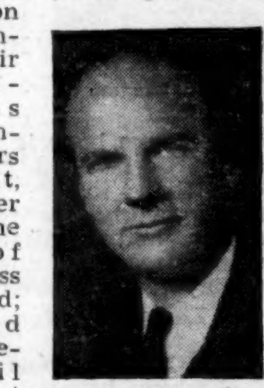
Getting Back to Normal

By CLAUDE L. BENNER*

Vice-President, Continental American Life Insurance Co.

Life insurance executive, ascribing rapid rise in life insurance sales to lower purchasing power of dollar and to war-time "monetary savings" of public, predicts a reduction in business generally in 1947. Holds conditions promoting recession, are: (1) unfavorable labor situation; (2) high costs and prices; (3) mounting inventories; and (4) a dark railroad and construction outlook. Sees possibility of solving present problems, and predicts if business recession is properly handled, foundation will be laid for extended period of prosperity.

With one single exception, and that not an agency one, the results of the war years upon life insurance were all to the good. The compensation of agents increased; their average production was high; marginal producers dropped out, and turnover was low. The persistency of the business was good; lapses and surrenders declined until they almost ceased to exist, and mortality was very favorable. It would seem as though the war had cured almost all the complaints that the TNEC had made against our agency system some six years ago. How much management was responsible for these improvements and how much they were the result of fortuitous circumstances, is beyond the scope of this paper to discuss. But, this much is certain, the war years did clear out a lot of dead wood in our agencies and it certainly is the responsibility of management to see that it does not get back in again too soon.



Claude L. Benner

I have no doubt that today, with the sale of insurance breaking all-time records and with it easier to put new men in the business, and on a profitable basis, than ever before, you are all hoping that the present situation can be regarded as normal and that we can confidently expect it to continue somewhat as is, indefinitely in the future. I wish that I could truthfully tell you that I thought this is what you can reasonably expect. But, I cannot. The present boom in the sale of life insurance is just as much a result of the war as is the boom in real estate or the ease with

(Continued on page 2642)

*An address by Mr. Benner before Annual Convention of the Life Insurance Management Association, Chicago, Ill., Nov. 12, 1946.

Broker Wants NYSE to Clear Way for Court Test of 100% Margins

Partner of one of Wall Street's largest financial houses advances suggestion that by canceling its directive on member houses requesting compliance with the Reserve Board curbs on margin trading, Exchange would pave way for any firm so inclined to test validity of Board's prohibition in court. Believes Congress never intended to give Board power to abolish margin trading. Thinks brokerage industry should never have permitted Federal Reserve to get way with 100% rule without some kind of a fight.

A broker in one of Wall Street's largest financial houses who prefers to remain anonymous has come forth with the suggestion that the New York Stock Exchange stop acting as the enforcement agency for the Federal Reserve Board's rule prohibiting margin trading.

More specifically, it is his view that the New York Stock Exchange should cancel its directive on its member houses requesting compliance with the Federal Reserve restrictions on margin trading. The position which this gentle-takes is that even if a member house could, through legal action, seek release from the Federal Reserve regulation prohibiting margin trading it would still have the Stock Exchange rule to contend with.

Congress never intended to give the Federal Reserve Board power to abolish margin trading, he holds. Regulation of margin trading is not prohibition, he contends. In his view, a 99% margin would be legal but a 100% margin is not. The Federal Reserve rule should be tested in the courts, this man believes, though he does not say his own firm would take the initiative in making such a move. The securities industry never should have permitted the Federal Reserve to get away with the 100% rule without some kind of a fight, he thinks.

Fully 30% of all the income the average Stock Exchange firm used to receive came from the margin accounts on its books and

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Bread and Liberty

By HENRY R. LUCE*

Editor and Publisher, "Time" and "Life" Magazines

Leading publisher, in urging American participation in world recovery, advocates $500 billion world economy, of which U. S. should contribute $200 billion. Holds peace and prosperity are impossible in poverty stricken world, and advocates applying American capital and technical skill to world development. Says struggle is between Russia and U. S. and we must demonstrate that that free enterprise works. Holds Britain depends on American capitalism. Advocates American ideas be promoted by our foreign services.

I shall try not to underestimate the scope and scale of the American economy. The proposition I put to you tonight is not for millions but for billions. In the spirit of the late great Wendell Willkie, I ask you to join with me and all free enterprisers in a resolve to create a world-wide economy of more than $500,000,000,000 per annum. I ask for this selfishly in order that my business and yours may prosper. And I ask for this, in the name of the human situation, in order that all the peoples of the earth may have bread, and have it more abundantly, and in order that they may have liberty and learn to cherish it.

Henry R. Luce

Of course it is not wholly within your power to achieve this goal. It is a task, first of all, for our statesmen. But, next, it is the businessmen of America with whom lies the greatest power of will either to reject this dream or make it come true.

For this is the American dream now applied, in the fullness of time, to the world. And believe me, it is only with the aid of the power of this American dream that the specter of tyranny, brutish and squalid, will be swept away from the world and the doors opened to a happier and nobler future for mankind. Surely, therefore, this is the most important opportunity that has ever come to the race of businessmen since the Phoenicians first plied their triremes across the wine-dark sea.

The figure of $500,000,000,000 represents, I confess, no very exhaustive calculations. At least one expert tells me I have set the goal too low by half. Roughly it envisions not less than $200,000,000,000 for the U. S. and more than $300,000,000,000 for the rest of the world. In any case we must help to raise the economy of the rest of the world proportionately more than we raise ours.

What chance have we got of achieving this goal? In the United States, a good chance. But I think every American instinctively knows that our children will enjoy neither peace or prosperity if the rest of the world, in this period, sinks further into sullen and angry poverty. So, while it is first of all essential that American business should succeed at home, the two problems are inseparable.

American World Participation

Back in 1943, the Republican Party, under the leadership of Senator Vandenberg and Senator Taft, held a meeting at Mackinac,

(Continued on page 2652)

*An address by Mr. Luce before American Association of Advertising Agencies, New York City, Nov. 18, 1946.

Economic Stability: High Output

By AMOS E. TAYLOR*

Director, Office of Business Economics, U. S. Dept. of Commerce

Holding high output and employment is an international problem, Dr. Taylor points to need of world-wide economic stability to maintain high production. Says present problem is to see that private markets absorb goods and services formerly devoted to war, through promoting higher living standards and expanding markets. Advocates large volume of foreign trade, and lauds proposals of International Trade Organization as well as Bretton Woods institu- International Trade Organization and Bretton Woods institutions.

It is significant that in all our efforts to effect an orderly transition from a wartime to a peacetime economy we find ourselves directing primary attention to the maximum possible production of goods and services on the one hand, and to economic stabiltiy, national and international, on the other. This is true not simply because we have come to realize that high and sustained production lies at the basis of a sound economy, but also because of the fact that our experience during the war has made us more conscious than we were before of the potentialities of our own economy.

Amos E. Taylor

I can illustrate what I have in mind by calling attention to several basic figures. Now that we have accomplished what several years ago seemed impossible by gearing our economic machine up to annual output, which at one time reached approximately $206 billion, we naturally have good reason to look upon that as an early peacetime goal. The significance of such an objective can best be understood by bearing in mind that in 1940 our output of goods and services stood at only about $97 billion. Even after allowing for some rise in prices and for the fact that the labor force included many people who would not be employed under ordinary peacetime conditions, the fact still remains that the results were nothing short of a miracle.

This is however not the whole story. Behind all our efforts to achieve and to maintain new peacetime objectives in production and employment lies the fact that the virtual breakdown of both national and international economic systems during the early 30s has made us especially con-

(Continued on page 2638)

*An address by Dr. Taylor at the forum of the Economic and Business Foundation of New Wilmington, Pa., at Youngstown, O., Nov. 14, 1946.

Public Utility Securities

New Utility Stock Offerings Handicapped By Low Book Values?

In general the Wall Street analyst does not regard book value as a very important factor in evaluating common stocks; this is not merely because of the wide variations in accounting standards for industrial companies, but because of different profit margins and growth rates for different industries and different companies. Thus U. S. Steel sells about half its book value—while the company's accounting methods are considered conservative (it has written down plant account about 70%) the industry has been overly competitive for many years. The same situation seems true with respect to railroad stocks, as transportation is a highly competitive industry and (except in wartime or other abnormal periods) earnings are low. Thus, in spite of government regulation of accounting, we find that New York Central's book value is eight or nine times the market value. So far as the railroads are concerned, book values are meaningless.

How important is book value in the case of utility stocks? Here we have a closely regulated industry, yet one which enjoys a constantly increasing sales volume, with competition limited to about one-third of dollar sales (industrial business). Because of the fact that residential business, which contributes heavily to net profits, is rather closely regulated by the State Commissions on the basis of "fair return" on the rate base, book value becomes an important factor.

It is true, of course, that rate regulation is seldom based on definite arithmetic—a fixed percentage return allowed on a fixed-formula rate base—but nevertheless net plant account is usually the public's only convenient gauge of the mysterious figure known as the rate base. (In a few cases, as in the celebrated Pennsylvania Power & Light case of last year, definite conclusions and figures on the rate base were public, but more frequently this is not done, and there is certainly no uniform tabulation available for rate base figures.) Hence, regardless of whether rate cuts are the result of voluntary concessions by utility companies, or the result of bargaining between the company and the commission — the rate cut being frequently a concession by the company to obtain commission approval of a refunding, recapitalization or merger — the theoretical rate base figure remains important; and in the great majority of cases our best guess of such a figure is net plant account, excluding intangibles.

Ideas have narrowed a great deal in recent years as to what constitutes 'tangible" property. In the old days the commissions permitted engineering appraisals of utility plant accounts to include a substantial amount of "going value," but this has been whittled down to a moderate allowance for working capital. Formerly, the plant could occasionally be revalued at "reproduction cost new less depreciation," but now, at the insistence of the Federal Commissions a number of state commissions no longer recognize reproduction costs, or even paid-in costs to the company, but insist on "original cost when first devoted to public service." Sometimes they also require large increases in depreciation reserves.

Thus utility plant accounts in the past decade have been written down heavily, both through write-offs and increased depreciation reserves. The result is a very substantial decline in book values of many utility common stocks. To take a recent instance, Consolidated Edison this year agreed, under pressure from the Public Service Commission in connection with refunding operations, to set aside huge reserves for plant revaluation and increased depreciation, thus sharply scaling down its common stock book value.

This situation is also evident in the book value figures for new utility stocks offered to the public this year. Following its comparison of par value, book value, offering price and current price for some of these issues:

	Par Value	Book Value	Offering Price	Recent Market
Consumers Power	None	$18.00*	36	36
Cincinnati Gas & Electric	$8.50	9.69	26	27
Columbus & Southern Ohio Elec.	10.00	17.70	53½	41
Dayton Power & Light	7.00	10.84**	35¾	33
Ohio Edison	8.00	17.39‡	41¼	34
Scranton Electric	5.00	5.00	22½	17

*Approximate. ‡Before plant acquisition adjustment of $7.13 which is being amortized. **Plant is carried at cost to company and includes write-ups over cost to previous owners equal to $2.90 a share.

It is reported that some institutional buyers have been disturbed by the very low book values of some of these utility stocks, fearing that "fair return" might be insufficient in the future to sustain the dividends and the current market values. Whether this was a factor in the rather poor reception which some of these new issues received is difficult to determine, because general market conditions were an important factor also. In any event, as previously pointed out in this column, the new issues have continued to sell on a higher average yield basis than seasoned issues, and the reported hesitancy of some institutional buyers to buy some new issues may have been a contributing factor.

"No Deflation Threat In Debt Retirement"

John K. Langum of Chicago Reserve Bank holds liquid assets will remain large unless national debt is reduced. Urges large Treasury surplus as means of checking inflation.

A great deal of the adjustment being made in this country as a result of the increased money supply and public debt may have already occurred, John K. Langum, Vice-President of the Federal Reserve Bank of Chicago, told the Mid-Continent Trust Conference of the American Bankers Association at Chicago on Nov. 8.

John K. Langum

Mr. Langum said, "One of the major problems we have is working out an appropriate budget policy. Some times in the fiscal affairs of our government we need a big surplus, and in times of sharp business recession and depression we may need to have a deficit."

Mr. Langum contended that currently the United States should have a large surplus as a means of checking inflation. During the current period of high business activity, we have had more debt retirement as a means of checking inflationary pressure. But he pointed out there are limitations as to the possible early debt retirement, the three most important being: (1) the cost of the servicing of the debt; (2) aid to veterans; and (3) the military and naval expenditures.

"If we have good business activity, we can have a substantial retirement of the debt with no deflation," he said. Mr. Langum added that problems in the current monetary situation will result from the policy which has been followed of departmentalizing the debt into government securities for different types of investors, saying: "The low yields on short maturities placed with the commercial banks of the nation, in view of the alternate investments possible in other obligations of political divisions of the government and of business, may create difficulties."

The CIO and Wages

By PHILIP MURRAY*

President, Congress of Industrial Organizations

In keynote address at CIO Convention, Mr. Murray, after reviewing recent strikes, which he ascribes to managers of basic industries, denounces removal of price controls as nullifying recent wage increases. Refers to government report, repudiated by the Commerce Department, in which it was held industry could advance wages 24% without requiring price increases, and asserts corporation profits are now higher than ever before and are a menace to a free economy. Decries fears Republican victory will lead to "crucifixion of labor" and expresses hope Powers will agree on Peace.

I can't but give expression of heartfelt appreciation to the delegates attending this convention for the warmth of your greeting here this morning. This, to my mind, will undoubtedly prove to be one of the most important conventions ever had in the history of this great movement, and it will prove to be a unified convention of representatives of all organizations affiliated with the Congress of Industrial Organizations.

Philip Murray

The convention will no doubt, as it has in the past, give statesmanlike and constructive consideration to the manifold problems which will undoubtedly be presented to it in the course of its deliberations.

I regard a convention of the Congress of Industrial Organizations as the greatest parliamentary body of workers anywhere in the entire universe. The record of our organization, together with its constructive considerations to the many questions which have presented themselves to it in the course of its career, demonstrates the fitness of our organization to arise to the needs of any occasion. And, of course, this Eighth Constitutional Convention of the Congress of Industrial Organizations, like preceding conventions, will necessarily concentrate its considerations upon matters of outstanding importance.

In that regard it may not be amiss for me at this juncture to state to the convention that, without doubt, the most important consideration to be presented will be the economic or wage aspects of collective bargaining deliberations that are bound to ensue in conferences of many of our international organizations following the adjournment of this convention.

Reviews Recent Strikes

I might point out, in that regard, a brief historical resume of certain things that come to my mind at the moment. In so doing I must refresh the memories of those who are privileged to represent our organizations in this convention about the history of the CIO wage struggle in the latter part of 1945 and the early part of 1946.

Following the ending of Japanese hostilities in August of 1945, industry in the United States, for the most part at least, was required to meet its peacetime reconversion needs—to lay off multitudes of men and women who had during the course of the war, been gainfully employed in mines, mills, factories, shops, offices and in the fields.

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*An address by Mr. Murray at Congress of Industrial Organization's Eighth Constitutional Convention, Atlantic City, N. J., Nov. 18, 1946.

Why the Confusion?

By ALFRED P. SLOAN, JR.*

Chairman, General Motors Corporation

Holding we are in a world of great confusion, Mr. Sloan stresses need for political statesmanship in economic affairs. Says pressure groups, supported by political considerations, now prevail, and loss of economic freedom threatens our political freedom. Contends management should no longer limit itself to production, but should accept challenge of broader leadership. Reviews conditions in auto industry, and predicts present year will be profitless. Holds attainment of sound economic relationship between wages and prices is principal problem, and unless settled, business uncertainty and recession are likely to continue. Views recent election as opportunity and not a victory for business enterprise.

Through our industrial efforts and their effective coordination our group of industries has made man, for the first time, largely independent of distance through individual transportation. As a by-product of our efforts and our technolgical progress over the years, we have contributed importantly to the technique of making it possible for man to fly — always his great ambition. We have made available to man everywhere mechanical power in substitution for human effort by providing units of power of great flexibility and broad application and at low first cost and expense of operation. We have widened the horizon of observation, contact and understanding of our people. We have stimulated the redistribution of peoples with resulting social and economic gain. We have created employment for millions at high wages. Hardly any individual, industry, community or nation has failed to feel the impact of the automotive age. We have contributed both directly and indirectly to revolutionizing and intensifying destruction at sea, on land and in the air in times of war. But we have made victory possible by a superior technique and a more effective production effort. Thus we see how different

Alfred P. Sloan, Jr.

(Continued on page 2622)

*An address by Mr. Sloan before 26th Annual Meeting of American Petroleum Institute, Chicago, Ill., Nov. 13, 1946.

World Oil Outlook

By J. HOWARD PEW*

President, Sun Oil Company

Mr. Pew contends dark shadow hanging over bright future of petroleum industry is trend toward Statism and bureaucratic controls, both national and international. Fears trade proposals made by United Nations will put American industry and foreign trade in strait-jacket of government control. Denounces inter-governmental commodity cartels as destructive of free enterprise, and criticizes Anglo-American Oil Agreement as leading the camel's nose into tent of cartelization. Wants equal opportunity for Americans in foreign oil development.

American oil men can take justifiable pride in the progress, the good human relations and the record of public service which our industry has demonstrated over the last 50 years, both in peace and war.

J. Howard Pew

We, likewise, can rejoice over the bright outlook for our industry that appears on the horizon of tomorrow. Internally our industry today is better equipped to fulfill the opportunities of the future than ever before in its history. We have, without doubt, ample crude supplies to meet all domestic requirements for the forseeable future.

Our technology has advanced to heights undreamed of a dozen years ago and promises even greater achievements in the years ahead. Our markets show prospects of steady expansion as long as we continue to provide consumers with top quality products at reasonable prices. Most important of all, our initiative and our spirit of competitive enterprise burns with undiminished fervor. Our heads are unbowed. We remain unconquerable rugged individualists, and of that, we are proud.

Appearing also on that horizon, however, is a shadow with potentialities of evil that threatens to destroy all the bright hopes which our industry cherishes for many more years of continued service to the American people. It is a shadow cast by a fabric of international agreements and undertakings, now being woven in discussions and proposals which may become a strait-jacket for world trade.

Not all the threads are yet in place, so none can speak with as-

(Continued on page 2636)

*An address by Mr. Pew before the American Petroleum Institute, Chicago, Ill., Nov. 14, 1946.

James G. Holland Joins S. R. Livingstone & Co.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—James G. Holland has become associated with S. R. Livingstone & Co., Penobscot Bldg., members of the New York and Detroit Stock Exchanges. Mr. Holland in the past was with McDonald, Moore & Hayes, Inc., and conducted his own investment business in Detroit.

With Charles E. Bailey

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH. — Anthony Soma is now with Charles E. Bailey & Co., Penobscot Building, members of the Detroit Stock Exchange.

With Garrett-Bromfield

(Special to THE FINANCIAL CHRONICLE)

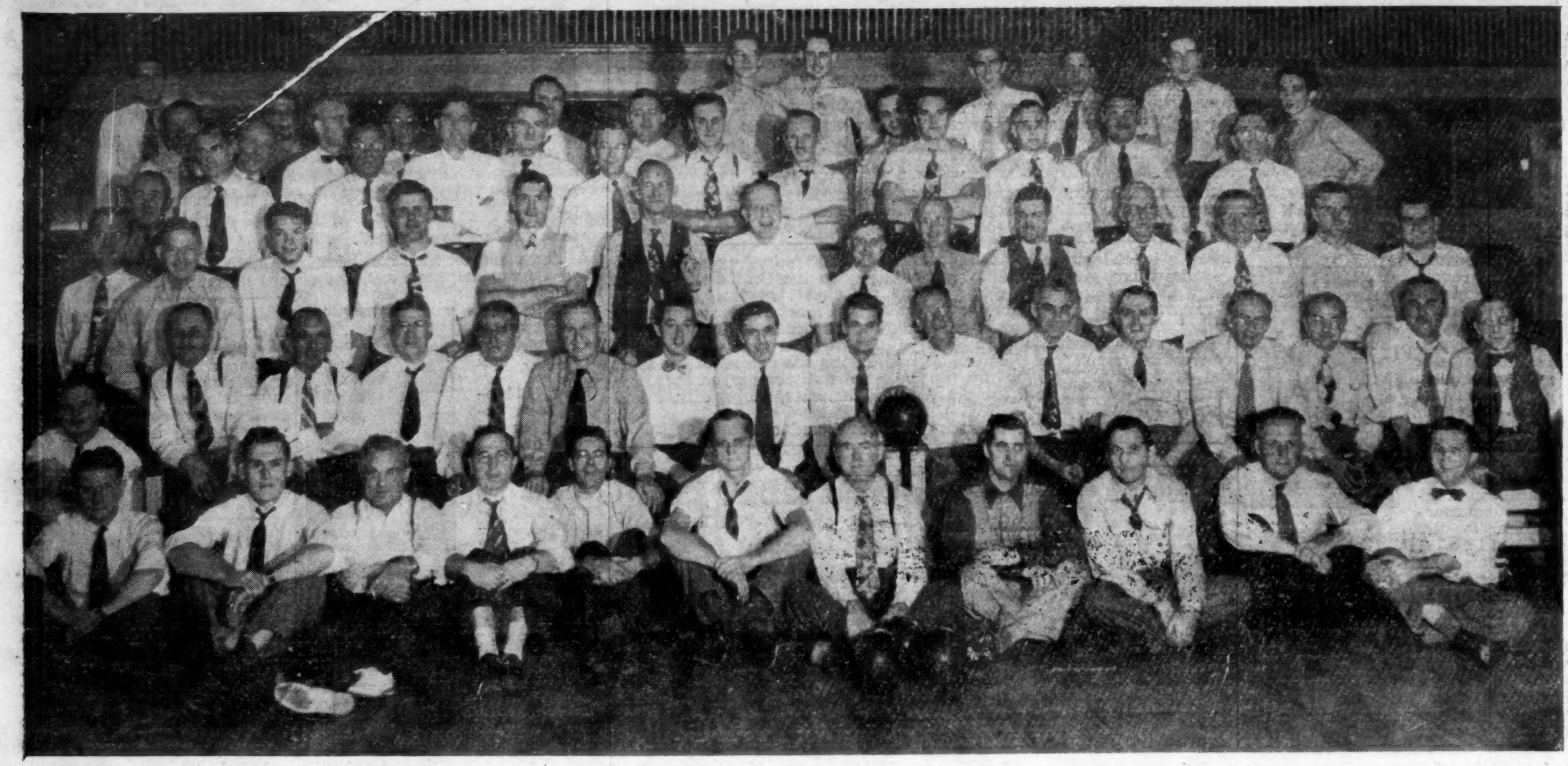
DENVER, COLO.—Rexer Berndt is now with Garrett-Bromfield & Co., Security Bldg., members of the Chicago Stock Exchange.

With Herrick Waddell

(Special to THE FINANCIAL CHRONICLE)

TAMPA, FLA.—John W. Chamberlin is with Herrick, Waddell & Co., Inc.

Detroit Brokers' Bowling League Resumes Post-war Activities



DETROIT, MICH. — Announcement has been made of the resumption of bowling activities by the Detroit Brokers' Bowling League, under sponsorship of the Securities Traders' Association of Detroit and Michigan. The popular Griswold Street league suspended operations during the war, but has now again taken up the 10-point sport, with the largest number of bowlers in its history.

The League, composed of 14 five-man teams, and plenty of capable subs, commenced the current season on Sept. 16, and has been going great guns ever since. It operates on a handicap basis and affords an opportunity for the low average bowler to compete with the boys who concentrate o nstrikes. It is composed of partners, traders, salesmen, cashiers, and bookkeepers of Griswold Street firms who gather together once a week, on Monday night at 5 o'clock, at the Cadillac Recreation Bowling Alleys, and have a whale of a good time battling each other and forgetting the ups-and-downs of the market. Plenty of enthusiasm is always in evidence, and some of the local boys are even putting out "feelers" for match games with rival bank or trade groups (address all challenges to Ray P. Bernardi, Cray, McFawn & Co.). Then, too, just to make everything strictly official, the League has fulfilled requirements for American Bowling Congress sanction.

Officials for the current season are: President Ray P. Bernardi, Cray, McFawn & Co., Treasurer; Charles C. Bechtel, H. V. Sattley & Co., and Hayden Brown, W. C. Roney & Co., Secretary. In addition to this group, the Securities Traders' Association, as sponsors, have appointed a bowling committee composed of Ray P. Bernardi, Charles C. Bechtel, and Clarence Horn, First of Michigan Corporation.

While it is a bit early in the season for any 300 games to be bowled, yet some very creditable scores have already been turned in as indicated below:

Individual High Game — Coe, Wm. C. Roney & Co. (Miller) 221.

Second Individual High Game—Kuhnlein, Goodbody & Co., 215.

Individual High 3 Games — Kuhnlein, Goodbody & Co., 589.

Second Individual High 3 Games —Brown, Wm. C. Roney & Co. (Miller) 552.

Team High Game — Wm. C. Roney & Co. (Miller) 863.

Second Team High Game—Wm. C. Roney & Co. (Wallace) 834.

Second Team High Game — Goodbody & Co., 834.

Team High 3 Games—Goodbody & Co., 2379.

Second Team High 3 Games—Wm. C. Roney Co. (Wallace) 2302.

TEAM STANDINGS NOV. 5, 1946

Team Captain	W.	L.	Pts.	Avg.
Wm. C. Roney & Co. (Wallace)	12	3	15	712
Wm. C. Roney & Co. (E. Miller)	10	5	14	675
McDonald-Moore & Co. (D. Miller)	9	6	13	700
Mercier, McDowell & Dolphyn (Porter)	8	7	12	711
Paine, Webber, Jackson & Curtis (Buckley)	8	7	11	691
Chas. A. Parcells & Co. (Quay)	8	7	10	621
Goodbody & Co. (Kauhl)	7	8	10	746
Mercier, McDowell & Dolphyn (Walker)	7	8	10	641
Sattley-Baker (Bechtel)	7	8	9	661
First of Michigan (Horn)	7	8	9	700
Crouse-Moreland (Bader)	7	8	8	701
Cray, McFawn & Co. (Sutherland)	6	9	7	593
C. G. McDonald & Co. (Stanko)	5	10	6	665
C. G. McDonald & Co. (Allerdyce)	4	11	6	654

Increasing Labor Productivity

By JOHN D. GILL*

Economist and Director, Atlantic Refining Co.

Mr. Gill stresses importance of technical research in increasing labor productivity, and points out the economic problems created by resulting larger output of industrial products. Sees need of management to maintain equilibrium of distribution benefits between labor and capital and advocates preserving a balance between values of production and total effective buying power. Lays down prophylactic measures for avoiding maladjustments of depressions, and urges changes in wages when needed to absorb productive capacity. Holds, though a wage increase may temporarily reduce profits, in long run it may increase profits by enlarging markets.

How increase labor productivity? Part of the answer indicates an extension of those technical practices by which overall labor productivity has been increased greatly in some industries in the past. The periodic examination and subsequent embracing of every opportunity for technical improvement will achieve practically limitless "power to produce" (productivity) wherever such practices are applicable. They include: enlarged use of mechanical power; development of processing machines toward automatons; greater use of templates, jigs and fixtures to increase speed and precision of efforts, and uniformity of results; better design of product, involving simplification, and elimination of uneconomic varieties; the grading of raw materials; greater use of electronics for the reduction of human effort; improved organization of plant facilities and movements of raw materials and finished products; better handling equipment; stimulation to greater personal performance by subdivision of labor, by assignments more nearly in line with natural aptitudes, and by more equitable grading of occupations through job analysis; training of workers in superior methods of manipulation; due consideration of plant conditions to provide for maximum physiological welfare of workers, and by other known methods of improving worker morale. In general by research and more research. Ironically, by the employment of more so-called non-productive workers to study ways to acceler-

John D. Gill

*An address by Mr. Gill before American Management Association, New York City, Nov. 14, 1946.

(Continued on page 2625)

Dealer-Broker Investment Recommendations and Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

American Drug Industry—Detailed study in **"Fortnightly Market and Business Survey"**—E. F. Hutton & Company, 61 Broadway, New York 6, N. Y.

Effects of 1946 Income Tax Revisions on Earnings of Utility Industry — Memorandum in the Fortnightly Investment Letter — H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Guide to the Perplexed—a challenge to the barrage of pessimistic statements—bulletin with a list of suggested stocks for income and capital appreciation—Strauss Bros., 32 Broadway, New York 4, N. Y.

The Market and the Railroads—Excerpts from a talk by Arthur C. Knies at the Boston Public Library under the auspices of the Massachusetts State Department of Education—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Petroleum — Detailed study of the industry analyzing from the viewpoint of those whose emphasis is primarily on our nation security and the viewpoint of those who approach a discussion of petroleum from the technical and economic standpoint—summarizes future prospects of the industry and contains individual surveys of 38 of the leading oil companies —Merrill Lynch, Pierce, Fenner & Beane, 70 Pine Street, New York 5, N. Y.

Petroleum Outlook—Discussion of outlook with brief data on several interesting situations — **First California Company, Inc.**, 300 Montgomery Street, San Francisco 20, Calif.

Rangely Deposits — Recent developments—Amos C. Sudler & Co., First National Bank Building, Denver 2, Colo.

South African Gold Mining Industry—Detailed discussion—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y.

Abitibi Power and Paper Company, Ltd. — memorandum — Dominion Securities Corp., 40 Exchange Place, New York 5, N. Y.

Aero-Chemical Co.—New memorandum—Greenfield, Lax & Co., Inc., 40 Exchange Place, New York 5, N. Y.

Also available is a new memorandum on **United Utilities Specialty Corp.**

American Insulator—Memorandum—Peter Barken, 32 Broadway, New York 4, N. Y.

American Phenolic Corporation —Memorandum—J. F. Reilly & Co., Inc., 40 Exchange Place, New York 5, N. Y.

Also available are data on: **Barcalo Manufacturing Co.; The Commercial Shearing and Stamping Co.; General Machinery Corporation; Golden Crown Mining Co.; Higgins, Inc.; Highlights of Wall Street; O'Sullivan Rubber Co.; Plastics Materials Corporation; Silver Creek Precision Corporation.**

American Service Co. — Circular — Adams & Co., 231 South La Salle Street, Chicago 4, Ill.

Argo Oil Corporation—Descriptive circular—Seligman, Lubetkin & Co., Inc., 41 Broad Street, New York 4, N. Y.

Also available are circulars on **Tennessee Products** and **Wellman Engineering.**

Aspinook Corporation—Circular —Ward & Co., 120 Broadway New York 5, N. Y.

Also available are memoranda on **W. L. Douglas Shoe Co.; Hartford Empire; Lanova Corp.; Mohawk Rubber;** and **Taylor Wharton Iron & Steel; Barcalo; Haloid; American Window Glass; Purolator Products; Upson Corp.; Alabama Mills; Diebold, Inc.**

Automatic Alarm — Memorandum—Mitchell & Company, 120 Broadway, New York 5, N. Y.

Boston & Maine Railroad — Circular — Walter J. Connolly & Co., 24 Federal Street, Boston 10, Mass.

Central Public Utility 5½s of '52 and Consolidated Electric and Gas Pfd. — Comprehensive study and analysis in brochure form—Fred W. Fairman & Co., 208 South La Salle Street, Chicago 4, Ill.

Chefford Master — Analysis — Peltason, Tenenbaum Co., Landreth Building, St. Louis 2, Mo.

Chesapeake & Ohio-Pere Marquette Merger—Review of situation and appraisal of investment opportunity offered—Kalb, Voorhis & Co., 15 Broad Street, New York 5, N. Y.

Also available is a review of the reorganization of **Central & Southwest Utilities Co.**

Chicago North Shore & Milwaukee Railway Co.—Brief memorandum on outlook—Brailsford & Co., 208 South La Salle Street, Chicago 4, Ill.

Columbia Gas & Electric—Study of the situation—Edward A. Purcell & Co., 50 Broadway, New York 4, N. Y.

Columbia Gas & Electric Corp. —Analysis — L. F. Rothschild & Co., 120 Broadway, New York 5, N. Y.

Columbia Gas & Electric Corporation—Detailed memorandum —Bear, Stearns & Co., 1 Wall Street, New York 5, N. Y.

Connecticut Railway & Lighting Co. — Circular — Adams & Peck, 63 Wall Street, New York 5, N. Y.

Diebold, Inc.—Study of the situation and brochure of products — Ward & Co., 120 Broadway, New York 5, N. Y.

Eastern Corporation — Memorandum—Buckley Brothers, 1420 Walnut Street, Philadelphia 2, Pa.

Also available are memoranda on **Northern Indiana Public Service Co.** and **Merchants Distilling Corporation.**

Greyhound Corporation—Circular—Hicks & Price, 231 South La Salle Street, Chicago 4, Ill.

Also available are memoranda on **The Chicago Corp.** and **The-Muter-Co.**

Gulf, Mobile & Ohio Railroad—Analysis—R. H. Johnson & Co., 64 Wall Street, New York 5, N. Y.

Hamilton Manufacturing Company—New memorandum—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis.

Hydraulic Press Manufacturing Co.—Detailed Analysis—Comstock & Co., 231 South La Salle Street, Chicago 4, Ill.

Also available are analyses of **Long Bell Lumber Co.,** and **Miller Manufacturing Co.**

Indiana Steel Products Co. — Memorandum on interesting situation — Brailsford & Co., 208 South La Salle Street, Chicago 4, Ill.

Also available is a circular on **Queen Anne Candy Co.**

International Nickel Co. of Canada—Study of situation and recent developments—Penington, Colket & Co., 70 Pine Street, New York 5, N. Y.

Also available is a study of **Westinghouse Air Brake Co.**

Long Bell Lumber Company — Revised brochure including earnings for nine months ended Sept. 30, 1946—Comstock & Co., 231 South La Salle Street, Chicago 4, Ill.

Musicraft Recording Corporation—Analysis—Seligman, Lubetkin & Co., Inc., 41 Broad Street, New York 4, N. Y.

Nathan Straus-Duparquet, Inc. —Study of history and outlook—Troster, Currie & Summers, 74 Trinity Place, New York 6, N. Y.

New England Public Service Co. — Appraisal of values — Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Northern Indiana Public Service Company—recent analysis—Fred W. Fairman & Co., 208 South La Salle Street, Chicago 4, Ill.

Pan American Airways Corp.—Study—Sills, Minton & Co., Inc., 209 South La Salle Street, Chicago 4, Ill.

Parker Appliance Co.—Descriptive analysis—du Pont, Homsey Co., 31 Milk Street, Boston 9, Mass.

Pettibone Mulliken Corp.—Bulletin—Doyle, O'Connor & Co., Inc., 135 South La Salle Street, Chicago 3, Ill.

Fred B. Prophet Company—Detailed memorandum—De Young, Larson & Tornga, Grand Rapids National Bank Building, Grand Rapids 2, Mich.

Public National Bank & Trust Co.—Analysis—C. E. Unterberg & Co., 61 Broadway, New York 6, N. Y.

Public National Bank & Trust Company of New York—Analysis —Geyer & Co., Inc., 67 Wall Street, New York 5, N. Y.

Ralston Steel Car Co. — Circular — Lerner & Co., 10 Post Office Square, Boston 9, Mass.

Rockwell Manufacturing Co.—Analysis—Steiner, Rouse & Co., 25 Broad Street, New York 4, N. Y.

Schenley Distillers Corporation —Brochure of articles they have been running in the Chronicle— write to Mark Merit, in care of Schenley Distillers Corporation, 350 Fifth Avenue, New York 1, N. Y.

Texas Public Service Co. — Brief memorandum on outlook in the current issue of **"Public Utility Stock Guide"** giving quotations on unlisted public utility preferred and common stocks — G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

Universal Zonolite Insulation — Analysis — Caswell & Co., 120 South La Salle Street, Chicago 3, Ill.

Also available is a circular on **Chicago Hardware Foundry Co.**

With Link, Gorman & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Frank J. Plennert has joined the staff of Link- Gorman & Co., 208 South La Salle Street.

Restoring Equality In Collective Bargaining

By STUART S. BALL*

Secretary and Counsel, Montgomery Ward & Co.

Mr. Ball urges stripping labor strife of political and ideological irrelevances and the establishment of basic rules for collective bargaining so that there will be a balance of power between contending parties. Says historic goals of organized labor are incompatible with success of private enterprise and asserts establishment of labor tribunals will result merely in further increase in bureaucracy. Asks for a minimum amount of government interference in collective bargaining.

The approach to a solution of the labor problem is to keep government out, put management and organized labor as nearly as possible into positions of approximate equality, take from each the power to destroy the other, and rely upon collective bargaining.

If you strip the ordinary labor dispute of its political or ideological irrelevances, the issue will be reduced to two sets of considerations: The members of the union must decide how much of a sacrifice of wages they will probably have to make to attain their demands, and at what point an additional sacrifice will not be worth the probable gain. Management on the other hand will have to consider how much the business will probably be damaged by a refusal of concessions, and whether the damage will offset the savings. When neither side can hope to be rescued by governmental action, and both sides know that the issue will be fought out on purely economic grounds, the dollars and cents balance will be peacefully reached far more often than it is today. When both sides are free to fight, but both know the other is willing to do battle, a strike or lockout will rarely occur. A substantial balance of power, especially on the purely economic questions of wages, hours, and physical working conditions, would therefore be, I submit, the

(Continued on page 2639)

*Part of an address by Mr. Ball at 49th Annual Meeting of National Founders' Association, Chicago, Ill., Nov. 7, 1946.

Michigan Brevities

General Motors Corporation has registered with the SEC 1,000,000 shares of no par preferred to be offered publicly by an investment syndicate headed by Morgan Stanley & Co., of New York. Proceeds will be used for modernization and expansion program, including additions to new manufacturing and assembly units. Offering price, dividend rate and redemption will be filed by amendment.

* * *

Borg-Warner has announced the purchase of the physical assets of Superior Sheet Steel Co., Canton, Ohio, to become a division of the corporation.

* * *

H. V. Sattley & Co., Inc., McDonald-Moore & Co. and Miller, Kenover & Co., purchased $70,000 Village of Richmond sewage disposal system revenue bonds.

* * *

White, Noble & Co., Grand Rapids and Detroit, offered 30,000 shares of Sperti Foods, Inc. (Ohio Corporation) cumulative convertible 5% preferred, $10 par, at $10 a share.

* * *

Detroit Steel Corp. stockholders have approved a plan increasing authorized capital from 500,000 shares of common, $2 par, to 1,000,000 shares of $1 par. Present shares will automatically be exchanged for two new shares. Listing applications for the new shares have been made to the "Big Board" and the local exchange.

* * *

Trading on the Detroit Stock Exchange during October totaled 391,912 shares, valued at $4,679,747, as against September's total of 467,856 shares, valued at $6,674,745.

* * *

Continental Motors has borrowed $10,000,000 to finance modernization and expansion of manufacturing facilities, purchase new equipment and add to working capital. President C. J. Reese said the financing included $5 millions from Metropolitan Life and $5 millions from a bank group headed by the National Bank, of Detroit.

* * *

Dow Chemical of Midland, Mich., has publicly sold an issue of $30,000,000 of 2.35% 15-year debentures, due Nov. 1, 1961, through a New York firm.

* * *

Gar Wood, Inc., has placed $5,000,000 issue of 3% debentures, due Oct. 1, 1961, with Equitable Life Assurance Society of U. S. The firm's president said proceeds will be used to retire short-term bank loans and add to working capital.

* * *

The SEC has extended until Nov. 30 the time in which the recapitalization of Michigan Gas & Electric Co. may be completed. The SEC also approved Michigan's proposed issue of 2½% $300,000 unsecured serial notes.

* * *

McDonald-Moore and H. V. Sattley have purchased the Village of Lowell $48,000 1¾% bonds, due serially Oct. 1, 1949-1972.

* * *

Shatterproof Glass Corp. has registered with the SEC 280,000 shares of $1 par common to be sold to the stockholders. Shares will be sold "from time to time" at prevailing prices in "over-the-counter" in New York and Detroit.

* * *

First of Michigan Corp and associates, including McDonald-Moore & Co., Watling Lerchen & Co., Paine, Webber, Jackson & Curtis, Crouse & Co., Donovan, Gilbert & Co., and H. V. Sattley have purchased a new issue of $1,030,000 State Board of Education, Mich. State Normal College, 1¾%, 2% and 2¼% dormitory revenue bonds. The issue is part of the financial program instituted to retire all previous outstanding bonds and to provide funds for a new building.

N. J. Allman Is With Mercier, McDowell Co.

DETROIT, MICH. — Mercier, McDowell and Dolphyn, members of the Detroit Stock Exchange, have announced that Nick J. Allman is now associated with them as customers representative. Mr. Allman was previously with Baker, Simonds and Company and other brokerage firms on Griswold Street, except during the War, when he aided the War effort at the Chrysler Tank Arsenal. He will now be located at 1012 Buhl Building.

G. Price Crane Opens Own Investment Office

NEW ORLEANS, LA.—G. Price Crane has opened offices in the Whitney Building to act as underwriter, distributor and dealer in

G. Price Crane

Louisiana municipal issues, Catholic institutional and corporate bonds and insurance stocks. Mr. Crane was previously a partner in Glas & Crane.

Glas & Company Is Formed in New Orleans

NEW ORLEANS, LA.—R. Jeremy Glas has formed Glas & Company with offices in the Whitney Building to act as underwriters, retailers and traders in Louisiana and Mississippi municipal issues, Catholic institutional and corporate bonds and fire and casualty insurance stocks. R. Jeremy Glas will be sole proprietor. Mr. Glas, a former treasurer of the National Security Traders Association, was previously a partner in Glas & Crane, Hyams, Glas & Carothers, and Moore and Hyams.

R. Jeremy Glas

Mrs. Lee Blocker will be associated with the firm as representative.

With King Merritt Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Joseph C. Pusateri has joined the staff of King Merritt & Co., Inc., Chamber of Commerce Bldg.

Connecticut Brevities

Bigelow-Sanford Carpet Co. reported net sales for the third quarter of $8,368,839 against $7,952,883 for the three months ended Sept. 30, 1945. In the same quarter this year the company reported net profit of $204,249 or 53¢ a share, against $65,285 or 9¢ a share for the like period in 1945.

For the nine months ended Sept. 30, 1946, net profit was $423,046 (98¢ a share) against $597,567 ($1.55 a share) for the corresponding period last year. Earnings per preferred share were $16.02 and $22.63, respectively.

The balance sheet of the company as of Sept. 30, 1946, showed total current assets of $27,225,230, current liabilities of $4,415,989, and net working capital of $22,809,241. The preceding Sept. 30, current assets totaled $20,661,705, current liabilities $2,136,105, and net working capital $18,525,600. Inventories at the end of September, 1946, stood at $18,132,530, against $12,694,117 a year ago.

The President of the company recently stated that net sales are currently running about $990,000 a week, which represents an increase of 90% over the first quarter of the year and a 34% increase over the second quarter.

* * *

Pitney-Bowes, Inc., declared an extra dividend of 10¢, together with an increased quarterly dividend of 12½¢, both payable Nov. 30 to stockholders of record Nov. 9. Previous quarterly rate was 10¢. The President of the company stated that the current rate of earnings was substantially above the prewar level.

* * *

The City of Stamford sold $700,000 notes dated Nov. 13, 1946, due April 15, 1947, to the First Boston Corp. @ .639%. Other bids ranged from .64% to .75%.

* * *

The Town of Stamford awarded a $1,500,000 loan dated Nov. 6, 1946, and maturing June 20, 1947, to J. P. Morgan & Co. at .666%. Other bids ranged from .67% to .754%.

* * *

For the nine months ended Sept. 30, 1946, Hartford-Empire showed net earnings of $2.15 per share which compares with $2.53 a share for the entire four-year period 1942-1945. So far this year dividends of $1.25 have been paid.

* * *

Connecticut Railway & Lighting Co. for the first nine months of this year showed operating revenues of $4,603,469 against $4,769,661 for the corresponding period a year ago. Net income for these periods was $915,759 and $757,098, respectively. Over-all charges, after income taxes, were covered 2.62 times and 2.01 times, respectively.

* * *

Torrington Company had net sales of $22,781,282 for the fiscal year ended June 30, 1946, compared with $29,510,151 for the preceding fiscal year. Net income of $2,670,732 compared with $2,729,910, respectively.

* * *

The City of Meriden awarded to Wood Struthers & Co., $75,000 sanitary and storm sewer bonds at 100.0473 for 1% interest rate. The bonds are dated Nov. 1, 1946, and due $8,000 each year Nov. 1, 1947 through 1951, and $7,000 annually November, 1952, through 1956, inclusive. The bonds were not reoffered to the public.

* * *

For the first nine months of this year, Bristol Brass Company, excluding its unconsolidated subsidiary, reported net profit of $1,710,017 compared to $671,474 for the corresponding period a year ago. On a per share basis, earnings were equal to $1.73 compared with 63¢, respectively.

* * *

Weeder-Root, Inc., has declared a $2 dividend on the common stock payable Dec. 14 to stockholders of record Nov. 30. This brings total payments for 1946 to $4 per share, 50¢ having been paid in March and June, and $1 in September.

This compares with 50¢ a quarter paid in 1945, or a total of $2 for the year.

* * *

The Silex Company has obtained a $1,250,000 15-year 3½% loan from Mutual Life Insurance Company of New York. The proceeds will be used to retire the presently outstanding funded debt and to provide funds for additional working capital and plant facilities.

Floyd D. Cerf Co. Heads Group Offering Com. Stock of Oxford Radio

Floyd D. Cerf Co. of Chicago headed a nation-wide group of investment dealers which on Nov. 20 publicly offered 60,000 shares of $1 par common stock of the Oxford Radio Corp. of Chicago, one of the country's largest manufacturers of loud speakers and associated acoustical reproduction equipment. The stock was offered at $5 per share.

The company also manufactures communications loud speakers and sound reproducing equipment which is sold to leading radio, inter-communication, sound-recording and sound reproducing manufacturers, among them RCA, Zenith, Stewart-Warner, Motorola, Sylvania Electric Products, Dictaphone Corp., Radiomarine Corp. and Canadian Marconi Corp.

With the exception of certain metal parts, all manufacturing operations are carried on in the company's plant. Its backlog of orders on Sept. 15 this year amounted to approximately $2,500,000.

Proceeds of the financing will be used to pay off bank loans, purchase of additional machinery and equipment and for general corporate purposes. There is presently outstanding 175,000 shares of common.

A Central Underwriting Fund for Small Business

By ERNEST J. HOPKINS*
Division of Research and Statistics
Board of Governors, Federal Reserve System

Federal Reserve economist, after reviewing problems of external financing of small business concerns and efforts to solve them, proposes, among other things, creation of a central underwriting fund, which should be administered by established central banking agency of commercial credit system, as a permanent aid to small business. Applies plan to both working capital and fixed capital needs of small business, and likens it to an insurance system, without rigid requirements of formal insurance.

In a nation of abundant financial resources and of a private enterprise economy, it seems peculiarly ironical that small business should have complained for many years of deficient access to external funds. Record of this complaint exists from as early as 1910; since then it has been expressed in varying degrees and forms. That the situation of late has been taken seriously may be seen in the fact that 131 bills bearing on the problem were introduced into Congress in the period 1933-44,[1] and that since the beginning of 1944 the leading organizations of commercial and investment banking have suggested various plans for opening up new avenues of external funds to small business.

Ernest J. Hopkins

The plans have served to clarify the problem. There is, broadly speaking, a considerable agreement today as to the main elements of the situation. The difficulty is not that of quantity of needed funds. A minor fraction of the nation's savings would apparently suffice. Small business, although its capital requirements have increased with the increasing elaboration of machinery and equipment, is still, a much lighter user of capital than is big business in relation to its production. Tending to reduce the demand is the fact that small business, like all businesses, finances itself wherever possible through the "plowing back" of its own earnings. But whether this is due

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*Abstracted from "Postwar Economic Studies," No. 5, September, 1946, published by Board of Governors of the Federal Reserve System, Washington, D. C.

1 U. S. Department of Commerce, *390 Bills: a Digest of Proposals Considered by Congress in behalf of Small Business, 1933-1942*, p. 13; 187 *Bills*, same subtitle, 1943-1944, p. 7.

Hard Money Theory Of Interest Rates

By WILLIAM WITHERSPOON
Statistical and Research Department Newhard, Cook & Co., Members of New York Stock Exchange

After reviewing credit trend in past 20 years, Mr. Witherspoon traces movement of the Money Supply Factor and actual interest rates in period 1926-1932, and observes that, although they do not altogether coincide, average of bond yields and average of Money Supply have same trend. Explains great credit potential at beginning of war to increased gold and money supply. Sees likelihood of higher interest rates if components of money supply continue recent trend toward lower levels.

This theory is not designed to forecast the trend in interest rates but has been evolved in an effort to determine the causes behind changing interest rates. In these days when practically everyone has in his own eyes become a financial expert or economist, we read and hear many explanations as to why interest rates are what they are, how the government can expand its debt without limit, how the expansion of the debt enlarges deposits and thereby reduces interest rates, *ad infinitum*. It is in this confused light that we have attempted to go to the basic causes of credit expansion and contraction, thereby sweeping aside the irrelevant and concentrating upon the fundamentals. In so doing we come to some six or seven major factors which have determined the course of interest rates in the past and by then projecting the possible future course of these factors we can more accurately determine the possible future course of interest rates. Therefore, this theory is only for the purpose of isolating these factors, establishing their relationship one to another, and proving that they are of prime importance. The forecasting is then left to the individual in his projection of these factors into the future and their resulting force upon interest rates.

William Witherspoon

Inasmuch as this theory attempts to go back to the basic forces, let us trace the operations of a very simple bank from its inception. Before the holding of gold by others than the government was prohibited in 1933, let us assume that a bank was started with a deposit of $100,000 of gold. They are then in business to lend a portion of this money after the setting aside of reserve requirements. For simplicity's sake let us say that reserve requirements are 20% so therefore the bank could and does lend $80,000. Because this loan is just credited to the borrower's account, deposits then advance to $180,000 but reserve requirements now become $36,000, leaving $64,000 that can be loaned in addition to the original $80,000. As this goes around through its several cycles the ad-

(Continued on page 2648)

Missouri Brevities

The Kansas City Power & Light Co., Kansas City, on Nov. 1 filed a registration statement with the Securities and Exchange Commission covering $36,000,000 of first mortgage bonds, due 1976, and 100,000 shares of $100 par value cumulative preferred stock, the proceeds of which are to be used to redeem $38,000,000 of 3¾% bonds, due 1968, and 40,000 shares of first preferred stock, series B. The underwriters are to be determined by competitive bidding.

* * *

An issue of 41,327 shares of 5% cumulative participating preferred stock (par $25) and a total of 20,000 shares of common stock (par $1) of George Muehlebach Brewing Co. were offered on Nov. 7 by a syndicate headed by Stern Brothers & Co. of Kansas City, and including, among others, Barret, Fitch & Co., Inc., and Burke & MacDonald, also of Kansas City, the preferred priced at par and dividends and the common at $5.75 per share. All of the common stock and 6,500 shares of the preferred stock are for account of the company, the net proceeds thereof, together with other funds, to be used to pay off the balance ($181,909) of a bank loan, to finance a proposed expansion program and to increase working capital.

An additional 20,000 shares of common stock are being offered by the company to its officers and key employees at $4.75 per share.

* * *

On Nov. 14, Federal Judge George H. Moore, at St. Louis, ordered a hearing set for Nov. 22 on a petition by Guy A. Thompson, trustee of the Missouri Pacific RR. Co., seeking authority to establish a $4,000,000 purchase fund to use in acquiring outstanding securities of the railroad.

It was pointed out that as of Nov. 1 Mr. Thompson had about $64,000,000 in cash on hand, and that after all required deductions have been made he would still have the $4,000,000 needed for the fund.

Mr. Thompson told the Court: "The purchase at this time through tenders of Mo. Pac. serial gold bonds, Cairo & Thebes RR. Co. 4% first mortgage bonds and Central Branch Union Pacific Ry. 4% bonds, at fair and reasonable prices, would be to the best interest of the Missouri Pacific RR."

* * *

Edison Bros. Stores, Inc., St. Louis, have authorized the payment on Dec. 12, next, of an extra dividend of 50¢ per share on its common stock in addition to the usual quarterly dividend of 37½¢ per share, both to stockholders of record Nov. 30. This brings total payments this year to $1.75 per share on the present $1 par common stock, as against $1.50 per share paid on the old $2 par common stock which was split up early this year on a 2-for-1 basis.

Sales of Edison Bros. for the month of October, 1946, amounted to $5,541,676, which was an increase of 25.2% over the $4,427,009 sales reported for the same month last year. For the 10-months ended Oct. 31, this year, the total was $53,054,383, as against $42,928,975 in the first 10 months of 1945.

* * *

At a special meeting of the stockholders of Ely & Walker Dry Goods Co., St. Louis, held on Nov. 14, amendments to the articles of association of the corporation were adopted changing the common stock from $20 par value per share to no par with a stated value of $10 per share and authorizing the exchange of the present common for the new common on the basis of two shares of the new for each one share of the old.

* * *

Following approval by the stockholders of Meyer-Blanke Co. of St. Louis of an increase in the authorized common stock from 50,000 shares to 100,000 shares, the directors on Nov. 14 authorized the issuance of one additional share of common stock to common stockholders of record Dec. 1, 1946, for each of the 47,146 shares outstanding and also voted to place the increased shares on a $1.20 annual dividend basis. The last distribution on the common stock consisted of a quarterly of 50¢ and an extra of 25¢. In each of the first two quarters of this year a quarterly of 40¢ and an extra of 10¢ were paid.

* * *

At a special meeting of the board of directors of Stix, Baer and Fuller Co., St. Louis, held Nov. 15, a dividend of 25 cents per share was declared on the new $5 par common stock of the company, payable Dec. 10, 1946, to stockholders of record as of Nov. 30, 1946. This is equivalent to the 50¢ per share dividend paid Sept. 10, last, on the old $10 par stock outstanding before the recent 2-for-1 split-up (which was approved by the stockholders on Sept. 7, 1946). The old $10 par shares this year also received 37½ cents on June 10 and 50¢ on Jan. 25. Payments in 1945 totaled 75¢ per share.

* * *

The directors of American Service Co., Kansas City, on Nov. 14 declared a dividend of $3 per share on the preferred, $3 per share on the class A and $1.73 per share on the common stock, all payable Jan. 2, 1947, to holders of record Dec. 10, 1946. Like amounts were declared on Nov. 17, last year, which were paid on Jan. 2, 1946. A participating dividend of 64¢ per share was also paid on the preferred stock on July 1, this year.

Net income after Federal income taxes for the nine months ended Sept. 30, 1946, amounted to $593,421, equal to $3.84 per common share, which compares with a net of $517,950, or $3.19 per common share, in the corresponding period last year. For the 12 months ended Sept. 30, 1946, net after taxes totaled $630,495, or $3.80 per common share, as against $584,323, or $3.38 per common share, for the 12 months ended Sept. 30, 1945. Net current assets at Sept. 30, 1946, amounted to $1,681,266, as compared with $1,085,784 on the same date last year.

J. S. Fox Opens

(Special to THE FINANCIAL CHRONICLE)

MONROE, LA.—John S. Fox is engaging in the securities business from offices in the Ouachita Bank Building. Associated with the firm is Mrs. Blossom S. Butler.

Ayres, Barley & Assoc.

Ayres, Barley & Associates, Inc. is engaging in the securities business from offices at 165 Broadway, New York City.

Business Outlook Key to Stock Market Prospects

By G. Y. BILLARD
Partner, J. R. Williston & Co.

In view of many uncertainties, market analyst contends prices will not substantially change in near term, since removal of price and wage controls creates additional stresses and strains in economic system. Says market has already discounted foreseeable contraction in earning power and reduced dividend payments, and that a primary recession can come only through prolonged labor troubles. Cites expansion programs of leading industrial concerns as symbol of confidence, and foresees likelihood of formidable market recovery in next year.

Spotty conditions again prevailed during the past week, with tax selling continuing to play a dominant role.

Gordon Y. Billard

Rapid decontrol of prices and wages creates many uncertainties in so far as the near term outlook is concerned, and it will take time before individual situations can be evaluated with clarity. This uncertainty will no doubt tend to prevent security prices from moving very far in either direction during the near future. The dominant over-all factor is the labor situation, and until the rapidly approaching crisis is resolved, caution is likely to continue in market dealings.

Removal of the wage and price spark plugs from the Washington propaganda machine is merely an initial though important step, in the dismantling process.

Beneficial as scrapping will be over the longer run, the immediate consequences will be the creation of additional stresses and strains throughout the economic system. Most non-durable goods lines have been adjusted already to a free price economy, but adjustments are still to come in the durable goods field. Price rises, for instance, in many lines during the past week highlighted the business news, especially advances in copper, brass and wire products, steel scrap, tin, zinc, etc., as well as price increases on many manufactured goods such as automobiles, radios, and other manufactured items.

The decontrol deluge, however, will eventually blast many scarcities and ultimately bring lower prices. Booming production will soon obtain a stranglehold on high prices. Obviously raw material commodities, particularly metals, are up to stay for some time, and any cheapening in automobiles, tractors, refrigerators or other goods will have to come from higher production efficiency, lower labor costs or lower taxes. Distortions which have been created by a monstrous machine can be visualized in almost every segment of the economy, agriculture and construction being two of the obvious fields where major readjustment will eventually be witnessed. Price dilemmas however for many corporations will continue as a torment for a further period and, together with renewed demands by labor, which are fast taking shape, will restrain any aggressive investment demand for the present.

Discounting

Key to stock market prospects is still the business outlook. Ever since the stock market broke last summer, predictions of widespread business deterioration bordering on a serious recession, if not depression, have come from all sides. Yet, the simple fact is that while it is now nearly six months since the peak of the postwar stock market was reached, business activity instead of receding, has climbed to a new peak. Overall earning power is at a very high level. Dividend payments, which have been held at a very conservative level during the war years, are on the verge of being increased substantially. At current prices, it isn't difficult to find many issues yielding 6% or more. As a matter of fact, out of a tabulation of some 170 issues slated to pay extra year-end dividends, approximately 41% yield more than 6%.

What the market at present levels is obviously discounting is a marked contraction in earning power and substantially lower dividend payments within the foreseeable future. On the other hand, practically every industrialist admits that a primary depression within the visible future can come only through prolonged and serious labor disturbances. Adequate testimony of the confidence in the future outlook is found in the expansion plans of industry, with General Motors alone contemplating a postwar outlay involving some $590 millions, to say nothing of $200 millions for General Electric, $50 millions for Bethlehem Steel, etc. Then there is the head of the Chrysler Corp. stating that current operating schedules are substantially below what the company could build or sell if it could get the material. This does not look like higher automobile prices forcing too many customers out of the market. As a matter of fact, one recent survey in the automobile industry indicated that out of 12 persons wanting to buy automobiles, about two would get them this year; about four more next year; leaving six who would not get them until 1948 at the earliest.

Crisis

Postwar labor crisis is at hand and probably will climax with the settlement of the threatened coal strike.

Price decontrol will mean within the near future a considerable decline in many important items making up the cost of living index. Moreover, the promised 20% reduction in income taxes next year should mean relatively larger real incomes. These two factors should remove the principal props from under labor's demands for another wage boost. Furthermore, labor union leaders, as well as the man in the street, no doubt recognize the fact that while a Republican Congress will hardly place labor in a straitjacket, it will insist upon fairness on both sides in collective bargaining. If a prolonged and costly strike can be averted now, fears over the labor problem should tend to diminish gradually and with it a resulting improvement in demand for equities.

Inspiration

Main inspiration for the bearish argument stems from certain similarities between the 1919-21 period and the present.

Such similarities, however, are more apparent than real. It must be admitted of course that the fact that business today is at a new peak, six months after the top of the market was reached in May of this year, is in itself a weak argument in contending that there won't be any major postwar business relapse. As a matter of fact, in the corresponding period following World War I, business activity continued to expand for several months after the stock market turned down in November, 1919. Actually, business held around peak levels for nearly a year and didn't begin to deteriorate seriously until late 1920. Yet the stock market during all this period kept on going down. If this pattern is to hold, the stock market should be going down right now.

Without being dogmatic, there are some very good reasons why the 1919-21 period will probably not be repeated except in miniature form. In the first place, commodity prices, other than agricultural, are nowhere nearly as inflated as in the period following World War I. In the second place, money market conditions are much more favorable. In the third place, deferred demand is vastly greater—there were not, for instance, 24 million automobiles on the road as at the present time, 75% of which are over 10 years old. Finally, equities then were not in as relatively a favorable position as today. That this is true may be seen from the fact that in May, 1920, six months after the top of the market was reached in November, 1919, prime bonds still yielded 6.3% vs. 5.2% for prime equities. Today, nearly six months after the peak of the market was reached last May, prime equities yield about 4.5% vs. 2.7% for prime bonds. Unless there is to be a slaughter of dividends—and of a fairly permanent nature—what basis is there for mass flight from equities? Any major deliberate liquidating movement from equities presupposes that there is some other form of investment providing superior return.

Recovery Prospects

Regardless of whether the postwar down trend has run its course, the probabilities appear to be that the lows for the year for most stocks have been seen and that a formidable recovery is likely to be witnessed, carrying at least

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Trade Potentialities in Far East

By JOHN CARTER VINCENT*
Director, Office of Far Eastern Affairs, Department of State

State Department specialist, after reviewing development of U. S. Far Eastern trade, asserts our role in Far East is to bring about mutually beneficial commercial and cultural exchanges which promote international welfare and understanding. Sees also need for a strong national defense, and though admitting overall picture for expanded trade is not encouraging because of disturbed political and economic conditions, concludes Far Eastern trade is essential to our raw materials supply. Contends notwithstanding present difficulties, potentialities of expanded trade exist.

American business with the Far East began 162 years ago. The "Empress of China," out of New York, put into Canton on Aug. 30, 1784, after making a tortuous six-months voyage around the Cape of Good Hope. The vessel's cargo, made up of furs, cotton, lead and ginseng, was exchanged at Canton for tea, silk and chinaware. The total investment in the venture was $120,000. The promoters cleared $30,000. This was good business; and it was private enterprise; and it was mutually beneficial. I hasten to say here that I do not actually know how much the Chinese made out of the furs, cotton, lead and ginseng, but having had some knowledge of Chinese businessmen, I still think I am safe in saying that the benefit was mutual.

John Carter Vincent

In the course of the 19th Century American business with the Far East expanded. Gradually our trade extended to other portions of the Far East: Japan, Korea, the Philippines, Siam, and adjoining areas of Southeast Asia. Throughout this period American trade with the Far East was based on sound business considerations. We asked for no concessions or special rights; nor were our business dealings based upon exploitation associated with political privilege or pressure.

During the 19th Century the basic factor in our close ties with the Far East was trade. Our early

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*An address by Mr. Vincent before Far East Session of 33rd National Foreign Trade Convention, New York City, Nov. 12, 1946.

UFE and NYSE Sign New Contract Extending to Jan. 31, 1948, Providing 12% Rise in Pay

Other contracts covering the New York Curb Exchange and affiliated groups, Clearing Corporation and Realty Association, also extending to Jan. 31, 1948, and practically same as contract with New York Stock Exchange, are expected to be signed early next week. Union convention to settle question of affiliation with some national labor body opens today.

Back last summer, the United Financial Employees dreamed of organizing a half-dozen or more of Wall Street's major brokerage houses by fall so that when its contract with the New York Stock Exchange expired on Oct. 15 it would be in a strategic position to bargain for more or less similar wages and working conditions in general throughout an important section of the securities industry.

While the union's hopes have not exactly materialized as planned, it can't be said the union has exactly lost any ground, either.

On Monday, the union and the New York Stock Exchange signed a contract retroactive to Oct. 15 and extending at the union's request 15½ months to Jan. 31, 1948. Union members at the New York Curb Exchange and affiliated bodies — the Clearing Corporation and Realty Association—Tuesday approved the proposal relating to new 15 months contracts also extending to Jan. 31, 1948, advanced by the Curb and these affiliated bodies and it is expected that contracts will be signed covering these institutions early next week. Both the union and the Curb groups speak confidently of reaching an agreement so there appears to be little doubt but that everything will go along very smoothly between them.

The Stock Exchange contract provides for pay increases amounting to about 12%, double time for more than 12 hours of work in any one day, time-and-a-half for hours beyond the 40-hour week, three weeks' vacation with pay for employees with 15 years or more of service, and improved grievance machinery. Concessions aren't all in the direction of the union since the contract also contains a clause outlawing the refusal of unionized Exchange employees to handle business of a struck firm and permits the cancellation of the contract by either party on 30-day notice. It is understood that a repetition of last summer's two-hour walkout by the employees of the Exchange is barred by the new contract.

In general, the Curb contracts will be approximately the same as the one with the Stock Exchange, it has been announced by both the union and the Curb. The only difference — it it really is one — is that the pay raises to be provided for in the Curb contracts will be about 11½%. The union has announced it will negotiate further next Tuesday for a contract with A. M. Kidder & Co.

The union will make up its mind on the question of whether or not to affiliate with one of the national labor bodies — and which one — at a convention scheduled to get under way at Schwartz's today at 3:30 p.m. The first order of business will be the selection of representatives to the convention. The executive committee is recommending affiliation with the A. F. of L. but consideration will also be given to possible affiliation with either the CIO or the United Mine Workers. It will probably not be until the general meeting of the entire membership scheduled as part of the convention next Wednesday when the issue will be finally decided.

In one quarter it was announced prior to the signing of the NYSE contract that M. David Keefe, union President, had resigned. The union, however, said this announcement was premature, that Mr. Keefe had in effect turned in his resignation but that it had not been accepted, that the union had considered Mr. Keefe ill from overwork and had ordered him to take a two weeks' vacation for a rest.

An election held by the State Board at the request of the Financial Employees Guild, CIO, among the employees of the People's Industrial Bank on Monday left the issue of bargaining agent undecided. All 21 persons eligible to vote cast ballots but the union received only 9 votes. Ten ballots were cast against the union and two were challenged. The case now goes before the State Labor Board itself for final determination.

Metty With Fewel & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Bernard S. Metty has become associated with Fewel & Co., 453 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Metty was formerly with Nelson Douglass & Co. and M. H. Lewis & Co.

With Slayton in Dayton

(Special to THE FINANCIAL CHRONICLE)

DAYTON, OHIO — Carrol E. Landis is with Slayton & Co., Inc., Third National Bldg.

George Hopkins Opens

(Special to THE FINANCIAL CHRONICLE)

COLORADO SPRINGS, COLO. —George Hopkins has opened offices in the Mining Exchange Bldg. to engage in the securities business. Prior to serving in the U. S. Army he was a partner in the investment business of Charles D. Hopkins.

With Faroll & Company

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—T. T. Mooney has become associated with Faroll & Co., 208 South La Salle Street.

Is U. S. Military Government Deserting Economic Democracy?

By HERBERT M. BRATTER

Special Correspondent of the "Chronicle"

Correspondent reports difficulty of establishing democracy in economic affairs. This is principally reflected in obstacles encountered by Decartelization Branch of OMGUS in reorganizing German economy into privately-owned, medium-sized and economically workable and efficient units. Such form of economic organization appears unnatural to Germans.

BERLIN, GERMANY (delayed).—Officials of the Decartelization Branch state that they believe their mission actually has a two-fold purpose. One, to eliminate from the German economy the war potential represented by cartels, monopolies, trusts, combines, etc.; the other, to spread the control of German economy into the hands of as many people as possible in the form of small- or medium-sized efficient competitive units. This policy, they point out, is simply in a manner of speaking a little bit of Americanism brought over for the benefit of Germany. They are also quick to point out that this program means actually that German production will not lose thereby but, in fact, is likely to gain.

Herbert M. Bratter

This American decartelization policy, of course, is contrary to reports reaching Berlin from the British Zone. There, the nationalization of coal and steel, and the using of cartels to serve British Military Government functions, it is pointed out by certain American Military Government officials serve only to strengthen the hands of the cartelists and monopolists and simply preserve a system which can be readily repossessed by those who ran it during the 30's. The word "cartel," of course. connotes restrictionism and discrimination. While the British claim that this is not necessarily true of cartels under their control, it is difficult for many in U. S. Military Government to agree with this British position.

The French seem to follow pretty closely the U. S. line on decartelization, although at times they seem not too enthusiastic about it.

Decartelization and Potsdam

Officials of the Decartelization Branch of OMGUS insist that their program parallels and is a part of the over-all United States international policy as set out in the Potsdam Declaration, in the Atlantic Charter, in the Lend-Lease Agreements, and as implemented by the International Monetary Fund, the International Bank for Reconstruction and Development, the reciprocal trade treaties, etc.

The Soviet position seems to be emphatically on the side of deconcentrating the German economy, also, into medium size and small individually operable units and they are emphatic in the stand they have taken on deconcentration and decartelization. The Soviets, however, as well as can be determined, seem to emphasize the turning over of such units to local governmental agencies, not, however, to national agencies. They seem to subscribe completely to the formation of stock corporations in regard to many of these

(Continued on page 2647)

Safe Harbor Pwr. Bonds Placed on Market

The First Boston Corp. and Hayden, Stone & Co. are offering to the public today $14,000,000 Safe Harbor Water Power Corp. first mortgage bonds, 3% series due in 1981. The bonds are priced at 106.76% and accrued interest to yield 2.70%. The issue was awarded to the underwriters at competitive bidding Nov. 19 on a bid of 106.2199, or on a 2.723% basis.

The sale of the new bonds is a part of the corporation's refinancing program which also includes the issue and sale of a $5,000,000 10-year note. The combined proceeds will be applied to the redemption at 102½ and accrued interest of the outstanding $19,131,000 first mortgage sinking fund gold bonds, 4½% series due 1979.

Giving effect to this financing, the corporation's outstanding capitalization will consist of the $14,000,000 bonds being offered, the $5,000,000 10-year note and 300,000 shares of capital stock, all of which is owned by Consolidated Gas Electric Light & Power Co. of Baltimore and Pennsylvania Water & Power Co. The new bonds are redeemable at 109.76 to Oct. 31, 1947, and at prices declining to the principal amount after Oct. 31, 1980. They are also entitled to the benefits of a sinking fund beginning in 1957.

Safe Harbor Water Power Corp. owns and operates the Safe Harbor Hydroelectric Project at Safe Harbor, Pa., on the Susquehanna River. The project has an effective capacity of 230,000 kilowatts The corporation does not supply electric services directly to the public but is operated as an integral part of an interconnected power system comprising the electrical power resources and facilities of the corporation itself, Pennsylvania Water & Power Co., Consolidated Gas Electric Light and Power Co. of Baltimore and Potomac Electric Power Co.

Economic Effects of Longevity

By THEODORE G. KLUMPP, M. D.*

President, Winthrop Chemical Company

Noting tendency toward more old people in our population, Dr. Klumpp analyzes question of what to do about the aged and infirm. Decries compulsory retirement of aged persons as uneconomic, and cites cases of continued activity and productiveness of retired professional workers. Says employment of competent aged workers in industry can bring about reduced working hours and lower tax burdens without impeding progress of young. Sees need for further advances in old age care and study of disease of old age.

Theodore G. Klumpp

A century and a half ago, Horace Walpole wrote these lines: "About the time, or a little later, I die, the secret will be found of how to live forever." Feeling that enough time had passed to vouchsafe a reply, Helen Bevington answered:

"Horace, be comforted to die.
One century has meandered by
And half the next since, it was true,
The temporal state eluded you.
Now as I read your pensive letter,
I wish myself that times were better
And I might boast how man contrive,
As you foretold, to stay alive.
By now we should possess the key
To fleshly immortality
And, if we wanted to, endeavor
To live forever and forever.
This, to my infinite regret,
Is not a custom with us yet.

I write you Horace for good cheer
Life is about as usual here."

Unfortunately, life is about as usual here so far as our knowledge of the nature of the aging process and many chronic diseases is concerned. In the past we have been largely preoccupied with the diseases of youth and childhood. Our chief endeavor was to learn to run the gauntlet of infections so that we might be able to raise a reasonable number of our children to adult life. We have not yet finished this job and we never will altogether—but mortality statistics show that we have made great advances for which our physicians, research workers, and public health officials, can feel justly proud.

But as a result of our success in conquering infections and some of the most deadly diseases of childhood, we now have an adult population that is larger in proportion than it has ever been before. It promises to grow even greater as the years roll by. This poses new public health problems, and hitherto neglected diseases assume compelling importance. The care of the aged and chronically ill must not be left to

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*An address by Dr. Klumpp before the Annual Meeting of the American Public Health Association, Cleveland, O., Nov. 14, 1946.

Business Outlook Key to Stock Market Prospects

(Continued from page 2614)

into the fore part of next year, barring unexpected calamitous developments.

It must be conceded of course that it cannot be proven statistically that the market is in an unassailable technical position. Indications, however, point to the fact that the present position is strong. Practically all of the buying for some time has been on a strictly cash basis, so far as can be observed, whereas selling on balance has been in large measure for margin accounts. Despite three distinct selling drives during the past few months, no appreciable downside headway has been made. Prices still stand above the lows of the year and at about the mid-September level. Purely technical studies indicate that the quality and magnitude of the buying during these three distinct selling climaxes could hardly be predicated upon the prospect of the relatively limited recovery that has occurred thus far.

Ultimately a new high in the postwar stock market (not necessarily in 1947) will no doubt be recorded. Such a contention can be based validly upon the thesis that (1) the money base is far bigger and broader than ever before, (2) the war created a vast increase in the army of potential stock market investors, and (3) the world-wide demand for goods and services of all kinds is unprecedented.

It is not our intention to suggest that interim readjustment difficulties should be minimized. Rather, it is stressed that all portfolios should be in a more or less impregnable position to withstand any further temporary adversity so that adequate cash reserves will be available to participate in what may very well be one of the greatest of all major upswings.

Buckhout With Livingstone

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Gordon E. Buckhout has become associated with Livingstone & Co., 639 South Spring Street. He was previously with Cruttenden & Co., Samuel B. Franklin & Co. and the Bankamerica Company.

With Merrill Lynch Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO—A. Julius Weidenkopf has become associated with Merrill Lynch, Pierce, Fenner & Beane, 216 Superior Avenue, N. E. He was previously with Hawley, Shepard & Co.

McAdam Joins Slayton & Co.

(Special to THE FINANCIAL CHRONICLE)

TOLEDO, OHIO — Wilfred J. McAdams is now connected with Slayton & Co., Inc., 520 Madison Avenue.

P. R. Smith & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

ELYRIA, OHIO—William Aker has become associated with P. R. Smith & Co., Elyria Savings & Trust Bldg., members of the Cleveland Stock Exchange.

Stock Market Pessimism Not Warranted

By COL. HERBERT G. KING
Member New York Stock Exchange

Stock Exchange member points out factors for brighter outlook.

The present wave of pessimism that has resulted from the decline in the stock market has greatly exceeded what is ordinarily to be expected. A little thought about impending events should convince one that the gloomy prognostications of many stock traders are not warranted. In fact the outlook is one of considerable brightness and cheer and should prove to be a very pleasant surprise to many of our present-day Cassandras.

Col. Herbert G. King

On all sides we hear it said that we are in a bear market and that prices will go lower. True, the Dow Jones averages have dropped from 212 to 163, but there are a great many factors that should not be disregarded. Corporation earnings are high, dividends are large, the future of business is very bright as it will be sometime before pent-up demands can be satisfied, and controls are being lifted. Forced liquidation of stocks is over and the twenty million security holders who own their securities outright and are interested only in their income, cannot be frightened into sacrificing them. The current selling prices do not worry the holders when they feel certain that eventually they will see much higher prices.

It is evident that the political and tax pictures are much brighter for security holders and the prospects for a period of prosperity for this country lasting several years are in sight. Labor has reached a point where it must cooperate with management for the good of all. International trade is being stabilized which will permit long term contracts and credits to be made and arbitrage with foreign markets resumed. Europe and Asia have to be rebuilt and the efects of the British Loan, and the credits of the Import-Export Bank and the International Bank, have yet to be felt. To the thoughtful investor, the future looks very bright indeed.

Business Man's Bookshelf

South American Handbook, The—1946 Edition—Guide and reference to countries, products, trade and resources of Cuba, Mexico, Central and South America—Trade and Travel Publication, Ltd., 14 Leadenhall Street, London E. C. 3, England—Distributors: H. W. Wilson Company, 950 University Avenue, New York 52, N. Y.—Fabrikoid—$1.25.

Transport Coordination in the United States—P. Harvey Middleton, Railway Business Association, First National Bank Building, Chicago 3, Ill.—Paper.

Federal Reserve Board Revised Regulation W

Controls released on instalment sales, except certain durable consumer goods, including automobiles, refrigerators and large household machines. Reserve Bank of Chicago calls attention to efforts of Federal Reserve Board to have Congress grant it permanent power to regulate consumer credit. Say present revision narrows scope of regulation to what Board considers consistent with a stabilizing influence on national economy.

Effective Dec. 1, 1946, the Board of Governors of the Federal Reserve System has revised Regulation W by confining it to instalment credit and centering it on purchases of major durable goods. If regulation in the field of consumer credit is to be continued on a peacetime basis, the Board believes that the Regulation should in general be in the form and scope of this revision in order to be an effective influence toward stability in this sector of the economy.

Commenting on the new ruling, the Federal Reserve Bank of Chicago, stated:

This Regulation now rests on an Executive Order of Aug. 9, 1941, which is revocable by the President or by action of Congress. The issue as to whether regulation should or should not be continued in any form is a subject of sharp controversy among various groups affected by it. The Board feels that the issue should be decided by the Congress and that the present revision is an appropriate means of bringing before the Congress the question of whether the Executive Order should be vacated or whether authority for such regulation should be continued by specific legislation.

In its Annual Report to Congress last June, the Board recommended that Congress give consideration to the question of whether regulation of consumer credit should be continued on a peacetime basis as a subordinate but contributory factor in the maintenance of economic stability. As the report stated, "Over the past 30 years consumer instalment financing has come to occupy an important and strategic place in the national economy. Such financing is essential to the mass distribution and consequently to the mass production of consumers' durable goods. From time to time, however, the expansion and subsequent contraction of consumer credit have gone so far as to accentuate the upswings and downswings of the business cycle. There is no way of preventing such excessive expansion and contraction except governmental regulation of the terms on which consumer credit shall be made available, such as the down payment required on instalment sales or financing and the length of time permissible for instalment contracts."

The Regulation is now revised in the light of the foregoing considerations. Under this revision, the Regulation is focused on instalment credit, both instalment sales and instalment loans, including 12 major categories of durable consumers' goods, which constitute the great dollar bulk of credit subject to the widest expansion and contraction. Charge accounts and single - payment loans, in which fluctuations are comparatively small, are eliminated from the scope of the Regulation. The revision effects a substantial simplification of the Regulation's provisions and will make it administratively more workable.

This revision narrows the scope of the Regulation to what the Board considers a minimum consistent with the exercise of a stabilizing influence in this area of the economy. In this form, the Board believes the Regulation can be better understood and its merits and defects better appraised. When present inflationary pressures have subsided, the terms of the Regulation would need to be modified further.

The principal changes made by the revision are as follows:

1. The list of consumers' durable goods to which down payment and maturity requirements apply is reduced from 36 categories to 12, the remaining items including automobiles, major household appliances, radios, phonographs, sewing machines, furniture, and soft-surfaced floor coverings, but with an exemption for any article costing less than $50.
2. Restrictions on charge accounts and single-payment loans are eliminated.
3. A uniform maximum maturity of 15 months is established for all new instalment credits, whether they arise from sales or loans.
4. The provisions for refinancing, including consolidation with new credits, are simplified, and refinancing credits may have a maximum maturity of 15 months.
5. Except for floor coverings which are transferred to the category calling for a 20% down payment, the items retained have the same down payment as presently prescribed: 33⅓% for all articles other than furniture which is in the 20% category.
6. Procedural rules are simplified in such matters as the statement covering the transaction and the statement obtained from the borrower. It is no longer required that a statement of the transaction be given to the customer.
7. Minor changes reconcile the new provisions with such requirements as are retained and certain technical sections are simplified.
8. The list of articles to which down payment and maturity requirements apply is as follows:

33⅓% down:
Automobiles
Refrigerators
Cooking Stoves and Ranges
Washing Machines
Ironers
Dishwashers
Air Conditioners
Radios and Phonographs
Sewing Machines
Suction Cleaners

20% Down:
Furniture
Soft-surfaced Floor Coverings.

H. Hentz Celebrates Ninetieth Anniversary

Ninety years of brokerage service under the same name was celebrated Nov. 15 by H. Hentz & Co., 60 Beaver Street, New York City, members of the New York Stock Exchange, the New York Cotton Exchange and nearly a score of other commodity exchanges in the United States and abroad.

Jerome Lewine

The skyline of New York's financial district was hemmed in on three sides by towering masts and the rigging of clipper ships when Henry Hentz put up his sign, H. Hentz & Co., at 5 Hanover Street, New York, on Nov. 15, 1856.

The New York was then a booming port handling 35% of the country's exports, discount rates were 9% to 10% for first class paper, call money was "easy" at 7% and speculation was heavy. It was the era of Drew and Vanderbilt, of Gould and Fisk. A building boom was under way in New York and in that period it was measured in terms of 3,000 dwellings erected in a single year. The panic of 1857 was just ahead and not far beyond loomed the disastrous Civil War.

Built around Henry Hentz' knowledge of cotton, which he had learned from an uncle in New Orleans, H. Hentz & Co. diversified its commodity operations in the next 20 years.

Mr. Hentz served as President of the New York Cotton Exchange from 1874 to 1876 and for many years was on the Board of Managers and on various committees which were instrumental in effecting improvements and reforms in trading practices. After the organization of the New York Cotton Exchange in 1870, arbitrage operations between New York and Liverpool then became an important part of the business. Mr. Hentz also was one of the founders of the Coffee Exchange of the City of New York, now the New York Coffee and Sugar Exchange, Inc.

The securities business of H. Hentz & Co. was given special emphasis in 1918 when the New York Stock Exchange firm of Baruch Brothers was merged with it. This union, which followed the retirement of Henry Hentz by three months, made Dr. Herman B. Baruch a senior partner along with Jerome Lewine, who is now the only member of the "old firm" of H. Hentz & Co. who is active in the direction of the present firm.

The present members of the firm are Jerome Lewine, Robert P. Baruch, Edmund W. Fitzgerald, Arthur J. Neumark, Sherman M. Bijur, E. Milo Greene, Lewis D. Raabin, Wilbur H. Clayton, John H. Kaplan, Stanley Hesse and Jose M. Covo.

The firm conducts branch offices at Detroit, Michigan; Chicago, Illinois; and Pittsburgh, Pennsylvania, as well as at Geneva, Switzerland. Before the war, it maintained branches in other important European cities, such as London, Paris, Amsterdam and Rotterdam.

Halsey, Stuart Offers Weatherhead Debs.

Halsey, Stuart & Co. Inc. headed a group Nov. 20 which offered $3,000,000 serial debentures of The Weatherhead Co. due annually from Oct. 1, 1952 to 1966 at prices yielding from 2.35% to 3.50%, according to maturity. Proceeds from the sale of the debentures are to be applied to payment of the company's outstanding bank indebtedness, purchase of machinery and equipment, additional working capital and possibly for acquisition and rehabilitation of a plant which is currently being operated under lease and the leasing and equipping of an additional small plant.

Net sales of the company in 1945 were reported as $26,847,133 and net profit before interest and taxes on income was reported as $1,320,315; maximum annual interest requirements on the debentures will be $92,650. For the first nine months of 1946 the company reported net sales of $17,824,896, with $619,390 net profit available for interest and taxes on income.

The Weatherhead Co. is a successor to a business established in 1919 as the sole proprietorship by Albert J. Weatherhead, Jr., the President of the company. Its principal manufacturing plant is in Cleveland, Ohio, with other plants in Columbia City, Angola and Warsaw, Ind., and St. Thomas, Ont. A wide range of products is manufactured for the automotive, aviation, refrigeration, liquefied petroleum gas and other industries. Its principal products include high and low pressure fittings, valves, carburetor parts, drain and shut-off cocks, dash controls, hose assemblies, miscellaneous parts for mechanical refrigeration and air conditioning, pressure and flow regulators for liquefied petroleum gas equipment, fuel control mechanisms for gas turbine engines, and special screw machine products.

New York Stock Exchange Weeky Firm Changes

The New York Stock Exchange has announced the following weekly firm changes:

William J. Banigan retired from partnership in Cohu & Torrey on Nov. 8.

Kenneth F. Dietz withdrew from partnership in Halladay & Company on Nov. 15.

Rudolph Reimer, limited partner in Reimer & Co., will become a general partner effective Nov. 21, on which date Harry R. Engeman will retire from the firm.

Thomas Jordan & Co. retired as a member firm on Nov. 14.

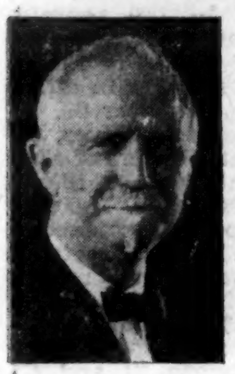
Transfer of the Exchange membership of Frederick N. L. White to Sylvester F. Hennessey will be considered by the Exchange on Nov. 27. Mr. Hennessey will continue as a partner in T. L. Watson & Co.

Analyzing Election Effects

By ROGER W. BABSON

Mr. Babson, asserting both political parties have had their faults and virtues, says all will not be rosy for new Republican Congress. Holds people demand revised labor legislation, but labor opposition may be effective, and concludes, if labor behaves half way decently, there ought to be a couple of years of good business.

Everyone who is interested in the welfare of the country—whether Republican or Democrat—should be happy about the election results. This does not mean that the Republicans are any better men and women than are the Democrats. Both parties have rendered useful and patriotic services.



Roger W. Babson

Importance of A Change

The simple fact is that a change is always helpful after a certain number of years. The Republican Party, owing to its strong hold on the people, abused its trust. A reaction was inevitable in 1932. Presidents do not make conditions, but conditions make presidents. There never was a better man than Herbert Hoover; but conditions defeated him. Even if Franklin D. Roosevelt and his friends had campaigned for Mr. Hoover, he would have been defeated just the same.

The Democratic Administration rendered valuable service. It gave Washington a house-cleaning which it greatly needed. Moreover, the "New Deal" had much in its favor and for many years it was only a fair deal. The nation owes a lot to the Democrats for their courage in giving prompt aid to England and in the waging of the war. The Roosevelt Administration was very wasteful; but a Republican Administration with its strong isolationist element might have been too late in getting into the conflict and too economical when waging the war.

What of the Future?

All will not be rosy for the new Republican Congress. The people demand a revision of the Wagner Act and legislation whereby labor must be subject to the anti-trust laws. Whether the Republican Congress will have the courage to enact such legislation—especially over the President's veto if necessary—is uncertain. It is also unknown now as to whether labor will get into a "cyclone cellar" for the next two years, or will fight more bitterly than ever before.

Business Outlook

If labor now behaves half way decently, we ought to have a couple of more years of good business. Furthermore, it should be in the interests of the Democratic Party to have good business in 1948. On the other hand, labor leaders could easily throw a monkey wrench into the situation. If so, last week, the Republican Party may have been given a "headache" instead of a "victory."

Most people believe that the recent victory assures the election of a Republican President and a Republican Senate, as well as a Republican House, in November, 1948. Perhaps so. Based on previous history, this will come true. On the other hand, let us remember that there are exceptions to all rules. It may be that the Republicans would have a better opportunity in 1948 if the Democrats had been forced to carry the bag for two more years. We cannot now tell.

Christmas Outlook

One thing is certain, namely, most retailers should have the greatest Christmas in their history. During the past few weeks the Christmas trade outlook has been a little uncertain in some communities because of the factory layoffs and the stock market break. I am sure that this will all be forgotten for the next two months. The election should revitalize every community and most consumers. The only ones who will economize on Christmas purchases will be government employees who know they are to lose their jobs.

Let me add that it may not be too much of a misfortune to those who lose these government jobs. Working for the government, as a rule, is not good for most people as they become stale and inefficient. Employers do not like to hire people who have worked for the government too long. Hence, it may be "a kick upstairs" to be kicked out of a government job even as a Christmas present! Everyone should try to get into a business where he can do his utmost and get rewarded for his results. This may best be accomplished by getting a position in a small community in a home-owned concern where it will not be necessary for you to belong to a labor union.

Ass'n of Stock Exch. Firms Elect Officers

James F. Burns, Jr., partner in Harris, Upham & Co., was elected President of the Association of Stock Exchange firms at the annual meeting of the board of governors. Mr. Burns was President of the association after its reorganization in 1941 until he entered the armed forces in May 1942.

Sidney L. Parry, Vice-President was appointed to the new position of executive Vice-President. Elected to the board for their first terms were: Wilburn G. Hoye, Chas. W. Scranton & Co., New Haven, Conn.; Albert D. Farwell, Farwell, Chapman & Co., Chicago; Benjamin H. Griswold 3rd, Alex. Brown & Sons, Baltimore; Lyon Carter, Estabrook & Co., Boston; Harold P. Goodbody, Goodbody & Co., New York; and Harl L. Bache, Bache & Co., New York.

Wm. Wymond Cabell, Branch, Cabell & Co., Richmond, Va., the retiring President, was presented with a silver service.

Kershaw and Mahoney With J. J. O'Brien Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Glenwood H. Kershaw and John S. Mahoney have become affiliated with John J. O'Brien & Co., 209 South La Salle Street, members of the New York and Chicago Stock Exchanges. Mr. Kershaw was previously in the U. S. Navy and prior thereto with Brailsford, Rodger & Co. Mr. Mahoney was with William Blair & Co.

Robert M. Hart With Bosworth, Sullivan Co.

(Special to THE FINANCIAL CHRONICLE)

DENVER, COLO. — Robert M. Hart has become associated with Bosworth, Sullivan & Company, 660 Seventeenth Street. Mr. Hart was formerly an officer of Welsh, Davis & Co. in Chicago.

Marketing Official Sees Need for Food Stamp Plan to Meet Impending Crisis in Agriculture

By EDMOUR GERMAINE

Presence of surplus stock of Long Island potatoes throws spotlight on certain aspects of national farm problem which, according to Chester A. Halnan, marketing director in U. S. Department of Agriculture office in New York, threatens to assume tremendous proportions. Believes farmers' market today is a shrinking one and that as a consequence, questions of surpluses becomes as important as it has ever been. Feels matter of parity will also become complicated in years just ahead, because of a general reduction in production costs from wider use of machinery and introduction of mass production methods on a rather broad scale by farmers.

News that came out of the New York marketing office of the U. S. Department of Agriculture last week to the effect that literally tons of Long Island potatoes may be had free for the asking by the hospitals, orphanages, schools and other non-profit-making institutions of the metropolitan New York area throws the spotlight again on certain aspects of the national farm problem which, according to Chester A. Halnan himself, marketing director for the Department of Agriculture in New York, threatens to assume tremendous proportions within the coming year or so.

The Federal Government is committed to the purchase of surplus farm crops in a program designed to maintain farm prices at 90% of parity (figured as the average for the five years previous) and destined to continue for two years following the official declaration of the cessation of the war "emergency," as Mr. Halnan points out. If Mr. Hanlan is anywhere near correct in his prognostications, something in the nature of a crisis could be developing in agriculture, a crisis of somewhat uncertain dimensions perhaps but rather portentous nevertheless, in Mr. Halnan's view, since the make-up of Congress has changed considerably and its views on such subjects as subsidiaries and parities are anything but clear.

Mr. Halnan believes that the farmers' market today is a shrinking market and that, consequently, the problem of surpluses becomes, in a sense, as important as it has ever been. He bases his opinions upon the presence of the following three factors:

1. UNRRA is seeking funds with which to carry on its task of feeding the hungry peoples of the earth but the ardor of American eagerness to ship food to other lands, according to Mr. Halnan, has been cooled by the revelation that the officials of the various countries which have been the recipients of American aid have distributed the supplies to political favorites or have used the food to feed their armies bent on adventures of all sorts.
2. Agricultural production which in some countries, such as France, fell to approximately 25 to 40% of normal during the period of military occupation in the war is now up to about 75% of normal and increasing, Mr. Halnan estimates.
3. A depression of sizeable proportions, should one develop as some people fear, would likewise aggravate the farm problem by further reducing the demand for agricultural products from consumer inability to to maintain present levels of purchases because of unem-

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Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week—Insurance Stocks

Two weeks ago this column pointed to the relatively inferior market performance since 1942 of the stock of Security Insurance compared with that of Fidelity Phenix, and also of Franklin Fire compared with Insurance Company of North America. It was then pointed out the reason for such differences in market performance was obviously to be found in the respective earnings records of the companies during the past four years.

It may be of interest to go back several years further and trace the trend of total net operating earnings of a group of 21 representative stock fire companies, and to study this record, first of the group and second of selected individual companies.

In 1925 total net operating profits of the 21 companies, on a "parent" basis, aggregated $23,770,000; in 1926 they aggregated, $28,711,000 and in 1927, $46,055,000. Not one of these three years was a "normal" year, 1925 being one of underwriting losses, 1926 one of moderate underwriting profits and 1927 one of exceptionally good underwriting profits. It seems fair, therefore, to consider the average of these three years, viz: $32,845,000, as representing a "normal" year for that period and then to compare the earnings of subsequent years with this as a base. It is of interest to state at this point that in 1945 their aggregate net operating profits amounted to $49,401,000.

The record is as follows:

Year	Index of Total Net Operating Profits
1925-26-27 Average (32,845,000)	100.0
1928	170.9
1929	195.9
1930	121.7
1931	133.7
1932	77.6
1933	146.9
1934	158.5
1935	182.7
1936	150.0
1937	166.3
1938	141.7
1939	149.7
1940	157.3
1941	157.3
1942	109.1
1943	166.4
1944	136.5
1945	150.4

It will be observed that in only one year, 1932, did earnings fall below the 1925-27 average. The year 1942 was another poor year in which heavy underwriting losses were experienced, particularly in marine risks; notwithstanding, the earnings index was well above 100. The following year, 1943, was a good year with the index at 166.4, a figure which has been exceeded only three times during the 21 years. The peak year was 1929, as might be expected.

Turning now to individual companies, some very interesting comparative records are found. They can roughly be divided into three classes, viz: companies whose records are behind that of the group, those whose records approximate that of the group, and those whose record excels the group record. Strangely, the first class is the largest, and comprises thirteen companies; three companies comprise the second class, viz: Boston, Home and Phoenix; and four companies comprise the third class, viz: Fidelity-Phenix, Hartford Fire, Insurance Co. of North America and Security of New Haven.

The following tabulation gives examples from each of the three classes:

		Class I (Laggards)					Class II (Average)		Class III (Leaders)		
Year	Group Index	Aetna	Franklin	Gt. Am.	Prov. Wash.	Springfield	Home	Boston	Hartford	Ins. N. A.	Security
1925-7	100	100	100	100	100	100	100	100	100	100	100
1928	171	170	138	134	154	134	191	171	172	214	225
1929	196	224	213	151	163	151	190	209	264	270	238
1930	122	104	219	123	119	57	99	148	90	129	83
1931	134	83	216	87	136	79	101	121	198	201	129
1932	78	113	115	52	43	35	60	93	58	135	88
1933	147	164	216	89	91	109	129	158	207	196	206
1934	159	222	189	114	107	133	161	160	232	199	221
1935	183	206	206	118	114	151	169	173	274	249	285
1936	150	150	217	114	97	106	149	197	191	190	163
1937	166	143	132	120	116	134	147	206	248	229	153
1938	142	121	206	88	65	83	164	133	214	191	120
1939	150	136	162	90	107	92	151	176	204	207	164
1940	157	135	141	108	115	93	133	193	234	241	196
1941	157	125	163	98	109	106	164	196	272	254	303
1942	109	70	65	70	40	100	62	52	180	189	143
1943	166	126	94	103	106	54	169	187	251	319	189
1944	137	95	54	90	98	52	112	165	225	277	91
1945	150	114	127	88	98	49	166	144	272	291	164

Some comments on the above figures are now in order. Aetna's relative growth trend was better than that of the group up to 1935, but has since lagged; Franklin's was generally better up to 1939 but has since dropped behind; Great American's has been behind except in 1930; Providence-Washington's trend has also been consistently behind except for 1931; Springfield Fire & Marine's growth trend has not only consistently been behind that of the group, but in nine years its earning's index has been below 100.

Boston's trend has been somewhat erratic, but follows the group trend more or less approximately; Home's trend follows that of the group closest of all the companies.

Outstanding growth trends are exhibited by Hartford Fire, Insurance Company of North America and Security of New Haven. However, it will be noted that Hartford's trend until 1932 was erratic, but has been strongly upward since. North American exhibits the most consistent uptrend of the group, while Security's trend is very irregular, but generally keeps well ahead of the group trend.

Economic Effects of Longevity

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the old man with the long white beard and the scythe.

In a sense we are now standing where the stream divides. For generations we have followed the branch of infectious diseases. It has dwindled in size, but we have not yet really started the exploration of that other stream that flows in the direction of the chronic diseases of adult life and geriatrics. A whole new field of knowledge is waiting to be studied and mastered. We haven't even begun to think seriously about the sociological and public health aspects of old age and the chronic diseases. Neither medicine, nor industry, nor the State, has any carefully thought out program of what to do about the vast population of older persons that is rising in our midst. Only Dr. Townsend has a $50 every Friday plan which most other doctors feel is not the answer.

Our research has not scratched the surface of such problems as heart disease and coronary thrombosis, nephritis, arthritis, and cancer. We know more about the planet Mars than we know about the pathogenesis of arteriosclerosis which is probably the least common denominator of most of the disabilities of the aging process.

Increase in Older Age Groups

Some indication of the increasing importance of the problems to which I have alluded may be gained from figures on the percentage of our population in the older age groups. According to U. S. Census figures, and reliable estimates with respect to the future, the following represents the proportion of our population 45 years of age and over:

1860	13.1%
1880	16.0
1900	17.8
1920	20.8
1940	26.5
1960	33.3
1980	40.3

When we consider those 65 years and over, the following percentage distribution is reflected:

1860	2.7%
1880	3.4
1900	4.1
1920	4.7
1940	6.8
1960	10.0
1980	14.4

The important facts to be derived from these data are that the weight of our population is shifting toward the older group and by 1980 two-fifths of our population will be over 45, and one-seventh over 65. At the same time the total number of our people is also increasing. It has been conservatively estimated that we will have not less than 150 million people by 1980. This means that by that time there will be not less than 60 million 45 years and over and over 21 million 65 and over. Think of it 21 million persons 65 and over! These figures have special significance in the light of the all-time employment record which has just been announced by the President as 58 million gainfully employed. Which means that in less than 34 years we shall have more individuals over 45 years of age than the total number employed at the present time. We must also anticipate the continued introduction of new labor saving devices perhaps on a scale never dreamed of before. The technologies recently developed, particularly in electronics and the upswing of interest in science generally should provide for that. If we do nothing about it and maintain present day working standards and conditions we shall have a potential labor surplus of over 30 million workers by 1980.

Chronically Ill

And now let us for a moment turn to the chronically ill. According to the United States Public Health Service the number of persons in the United States suffering from certain chronic diseases in 1937 was as follows:

Arthritis & rheumatism	9,700,000
Heart disease	3,700,000
Hay fever & asthma	3,450,000
Chronic bronchitis	1,700,000
Nephritis & kidney dis.	1,550,000
Nervous & mental dis.	1,450,000

These are only a few of the chronic diseases. The list would be too long to mention them all. We have not taken into account such seriously disabling diseases as diabetes, thyroid diseases, blindness, tuberculoses, and other chronic infections. It has been estimated that in 1943 there were 25,000,000 suffering from chronic ailments with a disability rate of 1 billion man days, and approximately 1 million deaths a year from the same cause. Add to this 9,700,000 individuals partially or totally disabled from accidents and it may be seen that we have a problem on our hands that is greater than most people realize. As the number of older individuals in our population increases, this problem too will become accentuated.

What to do about the aged and the partially disabled? We can't plow them under as we used to plow under corn, potatoes, tobacco, and little pigs. And I am equally certain that we can't just turn them out to pasture and expect them to enjoy life. People are not happy when they are idle and this is particularly true of older individuals. Youth can loaf content with opiate dreams of future achievements. But as we grow older the realities of life are more clearly seen and less easily denied and as we approach 50 and 60 we can no longer derive solace from the pipe dreams of future achievements. Similarly the diversion of participation in sport and exercise are denied us. Age plays for real stakes not pastime. It wants something to do and it must be real. And the most real thing we have to sustain us in this life of ours is useful work for which we are paid in money or its kind. Have you seen, as I have, a faithful employee who has been working at this job for 20, 30, or 40 years and wants to continue? Have you seen such an employee "retired" to the boneyard by some blind compulsory retirement scheme. There is an unutterable sadness about it that sometimes makes me think that it would be kinder to shoot the old fellow. I believe I understand why so often they die shortly after retirement.

Any biological organism that has been accustomed to a set routine for 40 or 50 years can't suddenly be shaken from its orbit without untoward consequences. Anyone who has studied Cannon's ideas on homeostasis will recognize this.

Illogical Attitude Toward Older Worker

Our Society has been quite illogical and inconsistent in its attitude toward the older worker. On the one hand it is apparent that we have no objection to electing and appointing older individuals to positions of the greatest responsibility in government, business, and the profession.

For instance, in the present Congress 32 Senators or 41.3% are over 65 years of age, 12 or 15.3% are 61 to 65 years of age, in other words, over 56% are over 60. In the House of Representatives, 57 or 21.3% are over 65 years of age, and 36 representatives or 13.4% are 61 to 65 years of age. A study was made of top business executives as listed in Poor's Directory. Taking 500 consecutive names contained therein it was found that 143 or 28.6% of those listed were over 65 years of age, 78 or 15.6% were between 61 and 65 years inclusively. Here again, over 44% are over 60 years of age. I am certain that a study of the leadership of the various professions would reveal the same large proportion of individuals in the older group.

And yet as far as the rank and file of workers is concerned we have no objection to the imposition of blind, and unselective compulsory retirement rules which automatically eliminate those in the ranks who have reached the same age regardless of their fitness, ability, and contribution to the group for which they labor. More precious than oil or fertile soil, than ore and minerals, than trees or an equable climate, are the human resources of a country. All other things were here when Columbus discovered America, but it took intelligent, industrious men to make our country what it is today. We may not fully realize it, but we cannot afford to waste the contributions of those who through years of experience have learned to do their jobs well and are willing and able to continue to do so faithfully. Training and experience can only be replaced by training and experience and when we retire a competent older worker his successor has the burden, inevitably, of supporting him as well as himself. Some individuals welcome retirement and the possibility of voluntary retirement on a pension should always remain open for these. But, if the premise is that all individuals over 65 or 70 are not worth their keep then least of all should we permit individuals above those ages to occupy the top and critical positions in our social structure. If we acknowledge as is certainly true that some are, and some aren't fit and pulling their weight at those ages then we should use our intelligence to devise methods of determining which are and which aren't fit for all workers, not just the upper crust. As the great physiologist, A. J. Carlson stated "The physiologic age of the worker is not synonymous with his chronologic age, owing to the individual variables in heredity,

mode of living, accidents and sequelae of disease." Likewise, "All age changes come on gradually" according to Carlson, and we know now that in some individuals changes characteristic of senescence begin even in childhood. And biologically we all start to grow old the moment we stop growing. That such changes may proceed very gradually and slowly is illustrated by the fascinating and possibly authentic story of Christen Jacobsen Dragenberg reported in the Journal of the Institute of Actuaries. His manner of life may be instructive for those who seek longevity. Dragenberg was a Dane who lived to be 146 years of age from 1626 to 1772. He went to sea when he was 13, took part in the wars of three kings against Sweden, served many nations in merchant navies, when nearly 70 was taken prisoner by Algerian pirates, was sold as a slave, escaped slavery after fifteen years, and at 84 again went to war against Sweden. At 111 he married a woman of 60, outlived her, proposed at 130 to several women but was rejected. Mastering his disappointment, he lived on for sixteen years. Described as being of impetuous temperament, he lived a life far from blameless, but in his last five years, from 141 to 146, exhibited a conducted "quite respectable."

We choose and select when we hire, and I see no reason why we can't do the same thing when we retire our workers. In 1930 on the basis of a compulsory retirement rule, the most distinguished neurological surgeon the world has yet known, Harvey Cushing, was retired from the Harvard faculty at a time when he was at the peak of his ability. He promptly accepted a full time academic appointment at Yale where he continued his outstanding contributions to medical science. What was Harvard's loss was Yale's gain, but for Dr. Cushing the retirement rule meant only the waste of time and inconvenience of pulling up stakes, moving, and finding a new home. When Dr. Milton J. Rosenau was retired from the same faculty he too moved to another University where the rules were not so blind. From a sociological standpoint the whole thing is ridiculous, and a reflection on the state of our intelligence in solving what ought to be a simple problem. Whenever society adopts a rule that eliminates the fit with the unfit, destroys the good with the bad, or punishes the innocent with the wicked, it is not a good rule. Society progresses by changing rules of this kind. In an imperfect society human beings are pushed around as a faceless mob. But social progress may be measured in the last analysis by the degree of skill and discrimination with which society solves the individual problems of its members.

Younger Men Not Impeded

The argument has been advanced that we must clear out the older workers to make room for the younger men so that their progress upward in an organization will not be unduly stymied. On the face of it this line of reasoning appears to have some merit. But it is only another way of stating that there are more workers than there are jobs. During the war when there was a manpower shortage, no one was afraid that the old, the lame, the blind, and the halt, were taking jobs away from younger and more able workers. At other times similar arguments have been applied against the employment of women in business, government and the professions. Certainly there is no arbitrary age at which older workers begin to repress the advancement of younger individuals. In a sense, every older individual higher on the ladder of advancement, whether he be 65 or 55 or 45 is holding a job that a younger individual aspires to and feels he can fill. That is always true and it will be just as true if we force everyone to retire at 50 or even 45 as we will have to do by 1980 if we don't find a more logical way of reducing the disparity between jobs and workers. We must not lose sight of the fact that someone must support those that we retire to idleness. The more workers we retire and particularly if we should lower the retirement ages, the greater will be the economic burden we will place on those who work. They will have to produce enough to support themselves and their families as well as the increased numbers of those who become emeritus workers. The whole problem is the adjustment of the number of workers to the number of jobs available. To attempt to strike a balance by eliminating all workers over a certain age is an unfair penalty on age and experience. In a refined and delicate way it is a perpetuation of the jungle law of the fang and claw where the leaders of the pack survive only until the younger beasts grow fierce enough to eliminate them. In modern civilization we are less violent but the end result is approximately the same.

Reduction of Working Hours

One of the most important steps in solving this problem is the successive reduction in working hours for all workers rather than by reducing more and more older to a state of parasitism. I venture to say that you and I will live to see a thirty hour week in industry.

Another view that is widely held is that older individuals become over-conservative, and to make progress we must eliminate these obstacles in the path of progress. Here again there are such wide variations in human reaction patterns that I don't see how one can logically draw generalizations that will fit individual cases. Certainly Bernard Baruch, 76 years of age, is no obstacle in the path of progress, and neither Senator Pepper nor Henry Wallace have become more conservative as they have grown older. As far as the great mass of jobs now subject to compulsory retirement are concerned, it makes no difference at all whether an individual grows more or less conservative. If individuals in key positions become too conservative with age or even too reckless as they sometimes do, to meet the best interests of the organization, a retirement board operating on a selective basis can function to correct this development, as well as any others that may arise.

Jobs For Disabled

The war has given us a slight stimulus toward finding jobs for partially disabled workers. We have not yet developed this as far as the German ulcer battalions are concerned, and a great deal of educational work remains to be done with industry and government. When a worker is physically handicapped in one respect he tends to compensate for this handicap by development in other directions. This biological mechanism of compensation serves to make such workers perhaps even more valuable than normal workers in the tasks which they are fitted to perform. We have a vast educational job to perform here and it seems to me that those who are interested in industrial health and welfare should lead in this endeavor.

During the past decade industry and our Federal and State Government have made great advances in provisions for the care of the aged. What we have accomplished is only a start and much more remains to be done. I am hopeful that the major burden of this can be carried by the extension of voluntary retirement plans in which the employer and the employee share the cost. Not only must more realistic retirement benefits be provided, but such plans must be more widely adopted by employers generally. The problem of transferring retirement benefits without loss when an employee moves from one job to another remains to be solved. Under present day practices a worker who changes from one job to another to advance himself, or for any other reason is penalized by loss of the portion of his retirement accumulation which the employer contributes. For those not covered by adequate voluntary retirement programs, the present token social security benefits must be increased, and old age assistance on a lower scale provided for those who, for one reason or another, have failed to earn their share of the retirement burden.

Through workers compensation and health accident and disability insurance we have also taken important steps in caring for those who are chronically ill and partially or totally disabled. Here again we have only made a start. There is room for improvement not only in the provisions made for the economic care of these unfortunates, but also in the medical and institutional care made available. We can understand why general hospitals wish to avoid having their beds filled with "chronics," but we will need an ever increasing number of institutions devoted solely to these cases.

While social advances in the direction I have indicated will cost money, there is no contribution we can make to human welfare and happiness that is of greater fundamental importance. Compared with the tax burden of war and armaments, which human ingenuity should be capable of eliminating, it is negligible. Even this tax burden can be lessened by permitting capable and willing older workers to continue working, and finding more places in industry and government for those partially disabled.

Guiding Principles

As we progress to a more perfect civilization, the goal of which is nothing more than a greater measure of happiness for all mankind, there is much that remains to be done for those that are aged and chronically ill. The following general principles will, in my opinion, serve as a guide toward this end:

1. Since physiological age is not synonymous with chronological age, compulsory retirement on a calendar age basis should be abandoned.
2. Since hiring is selective and based on fitness to do a given job, retirement should likewise be selective and based on unfitness. If we can do one there is no reason why we can't do the other.
3. Compulsory retirement should be based on the recommendation of a retirement board composed of medical and psychiatric members as well as administrative officials.
4. In accord with Carlson's idea, if wage in proportion to performance is recognized as a fundamental principle, the older worker should taper off in industry, just as the young apprentice gradually works himself up in skill, performance and remuneration. In other words opportunities for down grading in position and salary should be offered. If this becomes a general practice, the aura of foolish pride which now stands in the way of this would soon disappear. The older worker can choose retirement if he doesn't like the idea.
5. Industry, governmental and private institutions must make a greater and more intelligent effort to employ partially disabled persons.
6. When the aged and disabled have work to do they are less of a burden, financially, socially, and spiritually to the folks at home. Other things being equal home environment is better than an institution for the aged and disabled and the strong and fit must learn to exercise a greater measure of patience, tolerance and kindness toward them.
7. Institutions for the aged and disabled must be changed from asylums to modern institutions where every convenience and scientific development is available for their physical, mental and spiritual comfort. The importance of occupational therapy must not be forgotten. Useless work such as basket weaving is not the answer. Under ideal conditions each institutionalized person will have a job tailored to fit his ability and aptitude and for which he will be paid in proportion to his production.

This paper has only one purpose: To emphasize the growing importance of the problem of the aged and chronically ill. It is a plea for the devotion of more thought, more research, and more funds to improve the lot of the largest and most neglected group of unfortunates in our society. It is from those interested in public health and welfare that we may expect leadership in this endeavor.

Old age is not a disease but the disabilities arising from it are. As we overcome these we not only postpone old age but we defeat the suffering and sorrow of old age. Death has its final victory but it can come in peace, even as it came to my teacher and our late President, Dr. Milton J. Rosenau.

Railroad Securities

Atchison, Topeka & Santa Fe common is among the better grade rail equities that many analysts have been recommending lately. It has not recovered very sharply from the year's low and is still more than 30 points below the 1946 high. The present dividend rate of $6.00 a share, which has now been maintained for five years, affords a particularly generous income return. Rail analysts consider this dividend rate well protected for quite some time to come and, as a matter of fact, there are many who consider it quite likely that a more liberal disbursement may be in the cards over the reasonable future. Certainly such a move would appear fully warranted on the basis of the financial status and earnings prospects for the road.

The management itself estimated in connection with the rate case that earnings this year would amount to $11.52 a share on the common stock without benefit of any tax carryback credit. On the basis of results so far it is difficult to see how the company can avoid earning considerably more, perhaps close to $15 a share. For the nine months through September the earnings amounted to around $10.35 and seasonally the closing quarter is generally pretty good for this property. On the average for the past ten years the last three months have contributed just under a third of the year's net operating income. For next year the management estimated that if the rate increases were granted in full earnings would amount to $7.46 a share. This, also, will presumably turn out to be quite conservative barring serious crop failures or a severe general depression.

Physically and financially Santa Fe is quite a different proposition than it was a few years ago. One thing to remember about the road is that in its 50 years of existence it has not in any year sustained a deficit. Although its capital structure has always been considered sound the management has been among the leaders in the industry in recent years in debt retirement. Since the beginning of 1941 the non-equipment debt has been reduced by about a third, leaving only about $203 million still outstanding represented by the two issues of non-callable 4s, 1995.

In addition to aggressive debt retirement the company has spent lavishly on the properties. In the six years 1940-1945 gross capital expenditures topped $221 million of which some $156 million was on equipment and $65 million on way and structures. In contrast with the heavy equipment purchases the company had only $27,420,000 of equipment obligations outstanding as of the end of last year. As a matter of fact, the entire funded debt at the close of 1945 amounted to only $230,575,500 which was little more than was put into the property in capital improvements in the preceding six years. Moreover, these expenditures were superimposed on liberal maintenance outlays. From an operating and future earnings standpoint probably the most important part of the program was the purchase of diesel power for operation in the mountainous areas of the company's territory.

Along with debt retirement and plant improvement the company had ample surplus earnings during the war boom to build up an exceptionally imposing financial strength. Net working capital as of the end of August was in excess of $128 million. It is this financial strength that leads to the expectation in many quarters of a dividend increase. All of the company's callable debt has already been redeemed and even the outstanding preferred stock is non-callable so that it seems unlikely that any further funds will be used on the capital structure. The treasury position is certainly ample for any emergencies that might arise. Therefore, it seems only logical that from here on stockholders could expect the lion's share of any current profits.

For the ten years 1936-1945 aggregate earnings on the common amounted to $185 while dividends were held to $31. During that period the reduction in debt and increase in net working capital has been equivalent to more than $72 a share of Santa Fe common. The stock does not sell for much more than that right now.

A. F. Thompson V.-P. Of J. B. Roll & Co.

Andrew F. Thompson has been elected Vice-President of J. B. Roll & Co., Inc., 1 Wall Street, New York City, dealers in government bonds. He has been with the organization since 1939. Mr. Thompson formerly was with Goldman, Sachs & Co. and the Central Hanover Bank & Trust Company. Prior to that time he was with the old Chatham Phenix National Bank and Trust Company.


Andrew F. Thompson

LeVeillie Opens

BERNHARDS BAY, N. Y.—George N. LeVeillie is engaging in the securities business from offices in Bernhards Bay. Mr. LeVeillie has recently been connected with Herrick, Waddell & Co. In the past he was a partner in Paisley-LeVeillie Co. of Syracuse.

Why the Confusion?

(Continued from page 2609)

the world of today would be without oil as a source of heat and its utilization as a means of power. And how importantly our people would be affected in their manner of daily living.

It is clear, I believe, that our group of industries have created an industrial franchise, valid in war and in peace, and founded on the fundamental needs and desires of people everywhere. And supported by sound economic and social reasoning. But we must look forward—not backward. We must accept, individually and collectively, the responsibility of protecting that franchise, not only in our own self-interest, as a group, but in the broader interests of the community at large. For it is those whom we serve upon whom we must depend. We must intensify and expand our research. We must promptly and effectively capitalize our research in advancing technology in all our functional activities. Hence, more effective merchandise in terms of consumer needs, at lower real prices.

All this is not news to you. You have taken an important part in it. I speak of it because it is an illustration of the pattern of our whole industrial evolution. Science, through research, discloses the possibilities. Individual effort develops the component parts. Coordination fits the parts together in a complete and progressive whole. We sometimes forget there is woven into every technical development the hopes, ambitions, the successes and the failures—the very lives, as a matter of fact—of a great number. Thus we progress!

A Year of Confusion

The year 1946 will go down on the record as one of great economic confusion. Perhaps that expresses it too mildly. Perhaps, we should say, we live in a world of great confusion—political, economic and social. In industrial management, statesmanship has become and must in the future assume, a more and more vital part in the policy phase of enterprise. We, of industry, can no longer limit our efforts to the mere production of goods and services. Political statesmanship in the economic area likewise is assuming, and will continue to assume, increasing importance—whether we like it or not—as the economic system becomes more and more intensified. Both vitally effect and largely determine the nation's ability to produce with its impact on job opportunities and the trend of living standards. Both constantly in the process of evolution importantly influence the always changing pattern of the economy. It is no exaggeration to say that the determination of national economic policy and its administration by enterprise, will determine the character of the future economic pattern itself. The greatly involved problems that exist today as we liquidate the war economy and pass on to one of peace; the highly volatile forces that exist, and the uncertainties in the long-term position of industry, will bring these facts into bold relief.

It is in periods of great adjustment and rapid evolution that the prevailing forces develop the maximum effect. For, under such circumstances, all is more or less in a state of flux. The dangers are then the greatest. And, conversely, the opportunity for constructive accomplishment the most far-reaching. There is required both leadership and cooperation. Leadership in the nation as well as of all economic groups must exercise intelligence, courage and faith. Cooperation requires a willingness to adjust differences on a high level of understanding and patriotism in the interest of the economy as a whole. Such are the components that must exist if we are to make the most of our opportunities, or further—if we are to preserve in the world of tomorrow, the American way of living in the form of the competitive system of enterprise. Such are the circumstances as I see them today as affecting the field of opportunity as we move forward into the postwar era. It is clear that the facts do not support such observations. We have not brought to bear on our problems, leadership at such a level. Quite the contrary. We have not succeeded in obtaining the cooperation so essential. On the contrary, the interests of individual pressure groups supported by the political consideration have become the controlling factor. I submit, that such are the reasons, in part, why we are in a state of such great confusion. And, at a most critical point in our history.

The greatest war in history has been won. The statement can not be successfully challenged but what this country was the dominating force that led to final victory. It was made possible by our know-how in designing and producing more and better instrumentalities of war as well as our ability to organize the forces of combat. I never lacked faith in our ability to win the war. But I have always had reservations as to our ability to win the peace. I would define the prime objectives of peace, as applied to our domestic affairs, as the preservation of all our freedoms—the opportunity to exercise our initiative, our talents, capitalize our willingness to work and to utilize our national resources in such manner as we may desire—unhampered by outside influences. And by the threat of future wars.

It is incomprehensible as we review the evolution of the American system of competitive enterprise, with its end result so effectively demonstrated both in war and in peace, that there should be influences such as we know are at work to change it. I do not believe our people fully appreciate that the loss of their economic freedom carries with it the loss of their political and personal freedoms as well. They are inseparable. When one falls, all fall. The only uncertainty is the factor of time. And one false step, inconsequential as to itself, makes the next step appear that much more logical. I do not un-

derstand why, with the record so clearly spelt out on the pages of history, some fail to see that it was not until man was free to exercise his talents in his own way and to his own advantage, that economic progress in the world really began and our modern civilization commenced to take form. It is difficult to accept the philosophy that the economy can be stabilized, except in limited degree, half free and half slave. It must necessarily move one way or the other for an economy is always in a state of flux. It is in part the attempt to do this very thing that has intensified our existing confusion. Yet we see in the recent announcement of the British Government what is really a blueprint of the world's semi-socialistic, semi-capitalistic state. In other words, a proposal to employ in the same economy, philosophies inherently in conflict with one another. An attempt to maintain the established advantages of capitalism and to superimpose upon same the alleged virtues of a planned economy.

I speak of this experiment because, whether it succeeds or fails, whether the aims are attained or not, it is certain to have a profound influence on economic trends throughout the world at large. And its impact on our American position can not be ignored. We must accept the fact that the world moves on, for better or worse, toward a far greater concentration of economic power in the political area and carries with it increasing danger of the subordination of the enormously constructive influence for progress of individual initiative and effort. I hold that you and I and all others who believe in those things that have made this country the greatest nation on earth, have here a real responsibility. One that we have not as yet adequately determined. I repeat: It is clear, management can no longer limit its efforts to the mere production of goods and services.

Auto Industry Situation

The year 1946 will be one of great disappointment as well as of great confusion to us of the automotive industry. We had expected that with the process of reconversion well along toward completion in the latter part of 1945, there was reason to expect in 1946 a high level of production; large payroll disbursements; generous support of our suppliers and distributing organizations; good profits for our stockholders, and an expanding output of goods from our assembly lines — badly needed as a result of the shortages of the war. In the aggregate we had every expectation that it would be possible for us to make an important contribution to an expanding peace economy.

This expectancy was, I believe, based on sound economic reasoning. Modern history records the fact that after all wars there follows a period of great business activity. Only in duration and intensity does it vary. In no former wars has there been such a great concentration of industrial effort over such a protracted period directed toward the single objective of destruction. In no former wars has there been such a great capacity to produce. It was clear that an enormous potential demand for all kinds of peacetime goods and services would necessarily develop. This has been validated by subsequent events.

There was also reason to expect that the wartime savings of individuals and business; liquidation of consumer indebtedness; reservoir of instalment finance—insured an enormous backlog of potential purchasing power superimposed upon that created through current production—to capitalize the deferred demand to make it possible to raise the peacetime level of economic activity to a point higher than any prewar record. This, likewise, has been validated by subsequent events.

These two sets of circumstances, to my way of thinking, offered a real challenge to American industrial leadership and an outstanding opportunity for expanding job opportunities with rising living standards. And all this with a reasonable expectancy of maintaining that high level over the long-term position when once attained—an opportunity that could not be expected to repeat itself. But events have demonstrated that in important sectors of the economy, more particularly in the semi-durable and durable goods industries, this is just what has not happened. The automotive industry—frequently looked upon as the barometer of our economic well-being—will in the aggregate, in all probability, earn little or no profits during the year. And all this notwithstanding that all applicable economic forces were moving to insure just the opposite result.

These facts stand out crystal clear. They have created an atmosphere of great uncertainty as to the immediate forward position of industrial activity and the ability of business to earn adequate profits. And this has happened notwithstanding that the national income is being maintained at high levels and the physical volume of production is in all probability in excess of peacetime records. In the light of such facts and circumstances there appears to be little mystery in the sharp decline in the value of equities and their readjustment at considerably lower levels. It is a reappraisal downward of the opportunity of enterprise and its ability to earn profits under the existing circumstances and in the shadow of pending events.

But what are the underlying causes? It appears to me that the genesis of our existing economic confusion goes back to Oct. 30, 1945. At that time industry was moving out of war production. It was in the process of reconversion. The adjustments essential to passing from a controlling war economy to a free peace economy were before us. Upon a sound national policy, courageously and intelligently administered in the interest of the economy as a whole, everything depended. It was clear that the course then determined would vitally affect the short-term and importantly influence the long-term position of American enterprise. On that day came a pronouncement of national policy. And in two parts:

1. Wage increases are imperative.
2. We must, above all else, hold the line on prices.

The concept that wages, a major component in prices, could be substantially raised without affecting prices unless offset by increased efficiency, constitutes an amazing misinterpretation of economic law. And that is true irrespective of time and circumstances. And, likewise, whether the economy is moving either into a state of inflation or deflation.

There appears to be much confusion in the general thinking on this whole subject. In an economic sense, wages, salaries and other forms of compensation constitute, in the aggregate, more than three-quarters of what the consumer pays for goods and services. When wages rise in an important sector of enterprise—and especially as a result of declared national policy — the increase spreads through evolution and in the course of time affects wages in other sections, in degree. Salaries and other forms of compensation necessarily follow to maintain the essential relationships. Prices begin to move up, and soon reflect themselves in an increase in the cost of living. That stimulates wage increases in other areas not previously affected. The end result is that most things cost more. And there are more and more dollars available to pay

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Why the Confusion?

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more. But the increase in the dollars available to pay the higher prices is not spread out equally. Some can pay. Others can not. Still others, only in part. Therefore, the ability to purchase on a national basis becomes restricted. Production falls and employment, likewise. There is no real gain to the community in a spiral of increasing wages and prices. The only real gain in living standards in the system as a whole, is when efficiency is increased so goods and services can be sold at lower real prices.

The wage content in cost varies greatly in one industry as against another and between different producers in the same industry. Materials, supplies, transportation, services and other components of cost are largely wages expended on the part of other producers. In the automotive industry it can be stated in general terms, that an increase in wage rates on a national basis will, through the process of evolution, reflect itself in a not greatly different increase in costs and hence selling prices unless offset by increased efficiency or some other economic influences. And that involves the factor of time.

The confusion existing today fits exactly the economic pattern just described. It is the logical outcome of an effort to ignore economic law supported by the group pressure of individual interests. It is clear that the two-point program laid down by the government — one point in direct conflict with the other — served as a political justification for wage demands on the part of labor. Come and get it! — so to speak. The increases demanded as to amount, were unsound and uneconomic, as subsequent events have proved. They could not be supported by a corresponding increase in productivity. They were, of necessity, in the general interest resisted by management. There resulted a wave of major and then minor strikes on a broad front still continuing to a lesser degree. This seriously interfered with the production of both raw materials and manufactured products and further intensified shortages of essential materials and supplies.

The second point in government policy—holding the line on prices—has had a destructive impact on expanding production due to the fact that prices of many products in our highly complex economy are closely inter-related. The policy of attempting to control prices has intensified further material shortages and interfered with the completion of finished goods. Control of prices, in fact, has taken the form of regulation of industry's profits. Again it is clear that wages can not be considered without prices. And prices involve the question of profits. The peacetime effort of stabilization has failed not only because of its unsoundness, but because of its ineffective administration. Its major and continuing effect has been to act as a deterrent to the expansion of production.

Without entering into the argument as to the theoretical justification of price controls, in view of what has happened the constructive thing to do—and probably the only way out of the mess we planned for ourselves—is to immediately eliminate all wage, price and other controls involved in production and return to a free competitive economy and the law of supply and demand. Let the judgment of the market place be substituted for the directives of the bureaucrats. We are trying to operate both in a regimented as well as a free economy, at one and the same time. The inconsistency of such a course is making itself manifest and will continue to do so as long as it exists.

Wage and Price Relationship

The attainment of a sound economic relationship between wages and prices is the real problem of the moment. The fact can not be ignored that costs and hence selling prices, in many lines of production, have advanced to a point where they are moving out of reach of important sectors of their potential markets. Prices are further inflated by the inefficiency of operations under existing conditions. While the purchasing power of some may have increased in relation to advancing prices, that is not true as to others. And in all probability the favored group represents a relatively small minority. In addition, the accumulated savings of previous years are being reduced in value by the depreciation of the dollar in terms of these higher prices. Further demands, now apparently in the offing and rapidly taking definite form on the part of labor for still further wage increases, will lead to another wave of production interruption through strikes, hence, further shortages, and another advancement in the prices of goods and services. This will accentuate the unbalanced condition of present wage-price relationships and make the adjustment just that much more difficult. We continue to follow a dangerous course.

Apparently two possible solutions present themselves—First, a gradual adjustment of existing wage-price relationships, if the time factor under existing circumstances permits, or second, a more rapid adjustment involving a more or less violent, though temporary, shrinkage of business volume and employment. The latter appears at the moment to be unavoidable as the prelude to stabilization on a sounder economic basis.

Applying the above set of circumstances to the automotive industry, I am concerned with the upward trend of costs and selling prices. As applied to General Motors, if we assume the efficiency of production of the last prewar year—say 1941—and adjust our selling prices on a comparative basis, we find a $1,000 prewar car must sell for $1,500 as a postwar car. And, in all probability, costs have not yet fully reflected the recent increase in wages, hence are subject to further adjustments. Another wave of increases will, over the course of time, reflect a still further and corresponding increase in selling prices above that indicated. How a readjustment is to be effected with such a large proportion of costs (wages) frozen, is difficult to contemplate. The alternative appears to be to accept a smaller volume of production with reduced employment and living standards than otherwise might be possible. Such are the facts we face.

Labor Monopoly

The most significant problem that this country faces today is the position of labor with its political, economic and social implications. Monopolies can exist in a democracy in certain public services, but as such must be subject to complete regulation. Monopolies can not exist otherwise in an economy of free enterprise because such an economy is based on competition and the elimination of all restraints on trade, whatever form they may take. Years ago, business in some instances, was becoming monopolistic, both in form and policy. And something was done about it. Today, labor is becoming a monopoly and something will be done about it. Monopolies lead to dictatorships. Labor today is exercising a dictatorial influence over other groups, and even on government itself, and prejudicing the progress of the economy because of the political considerations involved. All this is clearly evident in the moving picture of current events. There must be evolved a better balance, not only in the long-term interests of labor itself, but that of the community as a whole. And it must be done with full justice to all, including labor. The implications of continuing the present course are too serious to contemplate.

This problem is as difficult as it is consequential. In may remarks I can not do justice to such a stupendous situation, even if I had the capacity to do so. However, in view of the impact of the problem on the course of the economy, which I have been discussing, I shall suggest a question and venture a reply in terms of the generalities, directed to the single point, viz., that economic society must find a better way to settle wage disputes, when its interests are substantially prejudiced, than economic warfare.

Here is the question:

When collective bargaining breaks down and a strike is threatened substantially prejudicing the public interest, what is to be done about it?

Here is the answer. And in two parts:

1. Collective bargaining must be permitted to follow the full course without interference from any outside influence and irrespective of the economic consequences on the contending parties;
2. When the public interests are substantially involved, they must be protected by law limiting the scope of strikes or decentralizing the economic power of labor to the point where the public interests are not substantially affected.

Expressed otherwise, we must erect and maintain a bulkhead so strong and effective as to offer an irresistible force against encroachments on the competitive system of enterprise on the part of any outside influence, be it government or otherwise. Collective bargaining is that bulkhead.

There are some who advocate fact finding, arbitration, compulsory or otherwise, or some such course. Wages so adjudicated, sooner or later will necessarily involve the question of profits. And profits can not be considered without establishing all the important operating policies of the business and assumptions as to the future trend of the economy. The full responsibility of management, so essential to successful enterprise, ceases to exist in fact. The government, directly or indirectly, becomes the dominating power in such determination. The political consideration becomes the motivating policy. Let those who believe in such an approach of this vital problem, read the report submitted by the General Motors Fact-Finding Board issued last winter at the time of the General Motors strike. Consider it in the light of the then and subsequent circumstances. Then ask themselves whether it constitutes an economic crime or a political comedy, or both. Such is too likely to be the pattern.

Summary

I summarize my remarks this evening on two counts:

First—We can expect, I believe, a decline from present levels of activity, increasing in intensity to the extent that there develop further increases in wages and hence, prices. Such recession continuing until a better balance is effected. As things stand today, there appears little we can do to correct it. We must pay the price. Circumstances differ materially today from those of the same period of War No. 1 in that this adjustment comes in the face of a large unsatisfied demand for goods and services, more particularly in the durable and semi-durable goods area. Following this period of adjustment, there lies ahead, I believe, a limited period in which industry will be sustained at levels higher in relation to prewar as measured by physical volume. We must remember that the status of the durable and semi-durable goods industries importantly influence the state of activity of the economy as a whole. Production has been so limited in some instances, that demand has increased rather than decreased, through the influence of depreciation and obsolescence. Expansion and rehabilitation programs have been both delayed and deferred due to limitation on construction and high costs. After the period of adjustment this demand will in turn further encourage production in consumer perishable goods. The fact must be accepted, however, that uneconomic prices prejudice these possibilities to an important degree and to an extent difficult to appraise. But, irrespective of this limitation, I still am of the opinion that a period of limited active business lies ahead after this adjustment takes place.

Second—On Election Day, a wave of common sense swept across the country. It was badly needed. The people answered a highly consequential question: "Yes, we have had enough!" The definite answer in which the decision was rendered will have a highly important influence on the future trend of our economic affairs. It is certain to result in a far more favorable climate, and on many counts, in which business is to operate. It will go a long way to re-establishing the competitive system of free enterprise as the keystone of the American economy for some years to come. It completes an era. It ends a political regime that developed its power by discouraging and discrediting, both economically and socially, business enterprise. A business career again becomes an honorable vocation. It should be a source of great encouragement to all of us. We have been moving recently toward a greater realization of the importance of production in our scheme of things and an appreciation of the fact that production must be encouraged in all legitimate ways—not discouraged and penalized. With this support that trend is accelerated and solidified.

But we must not fool ourselves. The verdict of last week should be accepted as an opportunity—not as a victory. It is a protest against—not an endorsement for. As a matter of fact, there was little to endorse. It will be a real victory only if we make it such. The same problems remain to be solved. Economic statesmanship in industrial management is even more greatly needed. The need of cooperation among economic groups, remains unchanged. The necessity for constructive leadership, nationally and of all economic groups, is accentuated. And let us BEWARE. The forces that tend to destroy will continue their efforts. They will look upon the verdict of last week, not as a defeat, but as a challenge. American enterprise must continue to demonstrate to the world at large, and to our own people in particular, that a free economy produces always an expanding volume of goods and services made available across a widening front through lowering prices, thus insuring higher living standards and a more abundant life—a "must" everywhere, according to my belief—if we are to establish and maintain peace throughout the world.

Halsey, Stuart Offers Northern Pac. Equips.

An underwriting group headed by Halsey, Stuart & Co. Inc., were successful bidders Nov. 19 for an issue of $6,880,000 Northern Pacific Ry. equipment trust certificates. The group bid 98.718 for a 1¾% coupon, a net interest cost of 1.983%. The issue was reoffered at prices to yield from 1.15% to 2.125% according to maturity. The certificates issued under the Philadelphia plan, mature $688,000 each, Dec. 10, 1947 to 1956 inclusive. The offering is made subject to the approval of the Interstate Commerce Commission.

Regan Resumes Duties At Barrett Associates

Barrett Associates, Inc., New York investment counsel, announces that William J. Regan has resumed his association with the firm as Vice-President and Director.

Increasing Labor Productivity

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ate the growth of productivity of so-called productive workers.

The practices enumerated are all within management's control, though, of course, inventiveness, resourcefulness and capacity to specialize vary greatly with individuals and organizations.

Resulting Economic Problems

But while technical production problems are being solved, and over-all labor productivity is being increased, difficult economic problems are being created. The very act of increasing over-all labor productivity — of reducing labor unit costs — sets in motion forces which change the relationships between basic economic factors, which have been in a state of approximate equilibrium. Unless prompt readjustments of these fundamental relationships are effected to make full allowance for changes in productivity, a state of threatening disequilibrium develops.

Every so often the cumulative tensions of the growing disequilibrium precipitates a decline in production. An immediately observable result is lessened over-all labor productivity, which for an indefinite period cancels out all, or much, of the improvements laboriously made by the application of the specific technical practices I have enumerated.

When and how, in a free economy, to adjust the basic factors—wages, prices, profits, production—to re-establish equilibrium is our most perplexing economic problem. For too long a time it has been considered nobody's business. In this matter the old adage must be reversed so as to state, "That which is nobody's business is everybody's business."

It is axiomatic that growth in a free enterprise economy requires that the values of total production must be distributed to all who contributed to the production in such a way as will clear the markets of all supplies and provide stimulation to larger achievement. Otherwise the forces tending to cause a decline of production become operative. To illustrate:

Assume that a practical approach to economic equilibrium exists. Assume credit is now freely offered, enlarging total purchasing power, stimulating production; workers' compensation remaining constant. Total output is increased, is reflected by greater over-all labor productivity and lower unit costs. Profits increase. Now consider: if all of the income from the sale of products can be utilized for consumers goods and satisfactorily-profitable capital goods, economic balance will be maintained. Production may then be further stimulated by additional credit, repeating the cycle at the higher level of production — larger over-all labor productivity, lower unit costs.

But remember that part of the total purchasing power is represented by credit and part by above-average profit. When the time arrives, as it must inevitably, for repayment of that part of purchasing power represented by loans; or, when the part of purchasing power represented by profits, which is used for new capital facilities, can no longer be employed profitably because workers' incomes have not risen to absorb increases in production values, one of two things must happen: either, economic demoralization; or an immediate upward adjustment of workers' real incomes. A balance must be re-established between values of production and total effective buying power.

Over the past hundred years the very great net increase in receipts of the parties to production has matched the very great net increase in the values of production. The net increases in the shares of the several recipient groups has been such as to leave the basic factors of the economy at the end of the hundred years in about as close an approach to equilibrium as they were at the beginning. But between the terminal dates there have been many periods of disequilibria, which, in my opinion, have caused us to forego much production we might otherwise have enjoyed; and have retarded economic growth.

Avoiding Maladjustments of Depression

Turning to the present and preparing for the future our problem is how to avoid or minimize the maladjustments of depressions, which in the end necessitate fully as many corrective changes of prices, wages, production and other factors as would be necessary to maintain equilibrium. Moreover, remedial corrections are much more costly than prophylatic measures.

Before discussing the mechanism of adjustment I offer for your consideration some preparatory generalizations:

1. Our industrial economy is dynamic. For more than one hundred years productivity has been growing at a generally increasing rate. Just before World War II the annual rate of growth of real per capita income was about ten times the rate of the decade of 1850. Consequently, maintenance of equilibrium now requires much more frequent adjustment of basic economic factors than heretofore.
2. The change in over-all labor productivity varies significantly, even greatly from plant to plant and from industry to industry. Some industries experience much more than the national or average increase in productivity; some less than the average; some experience declining productivity.
3. Changes in productivity in the mechanical (powered) industries and especially in industries whose demands change rapidly, are, by nature of the forces involved, greater than in the service and hand-craft industries.
4. Except in the simplest occupational operations, changes in productivity attributable directly and solely to individual workers, cannot be measured.
5. Exact and comparably useful productivity measurements of similarly classified workers in different industries are practical impossibilities.
6. The productivity of individuals engaged in routine tasks has definite energy and manipulative limitations; but the over-all productivity, which is often called labor productivity, can be increased indefinitely by methods announced earlier.
7. When particular companies or industries experiencing above average increases in productivity could pay more than average wages at existing prices, or could lower prices at average wages, their economic course is indicated as a reduction in prices.
8. Industries with rapidly increasing productivity could price themselves to an uneconomically small share of total purchasing power if they were to pay wage increases in proportion to their own productivity increases, or even if they were to pay substantially higher wages than the general average for the class of work performed.
9. Prices of articles whose production is not subject to much improvement in over-all labor productivity, and the prices of most personal services must rise with increases in over-all or national productivity, or else financial losses, or inability to enjoy current living standards, will cause cessation of operations. If the commodity or service is non-essential, operations may decline to the vanishing point anyhow as a result of loss of demand. This statement expresses elementary economics, which seems often to be overlooked, especially in periods when wage controversies prevail.
10. Collective bargaining over wage increases should center around a rational objective based fundamentally upon changes in national productivity.

Then there are a few corollaries:

A. Free enterprise continues to provide the greatest stimulus to economic growth yet known, but it is unrealistic to act on the assumption that any business can be conducted without due consideration to the economy as a whole.

B. There is a technical efficiency within the control of management, and there is an economic efficiency. The former can be practiced to varying degrees by various industries and units within industries to the end that they experience differential growth without any general dislocation. Economic efficiency on the other hand requires that each operator perform his role with due consideration to the effect on the entire economy.

C. Prices of commodities at wholesale collectively move generally sidewise.

D. The cost of living moves generally upward even while prices at wholesale collectively remain constant because of the inclusion in the cost of living of the values of human services not susceptible to any or much increase in productivity.

In free enterprise economy the avoidance of serious disequilibria resulting from the accumulation of maladjustments between wages, prices and production and profits must be by adjustment through one or more of these factors. If productivity is rising, wages also must rise or prices decline, or some combination of such movements effected, to the end that real incomes are increased and markets cleared.

Problem of Wage Changes

If wages are to be changed, the movement should be initiated, in my opinion, by the employer who has the greatest stake in maintaining economic equilibrium. However, under today's conditions, if an employer of vision and influence cannot be found to begin corrective measures, the initiative will pass to organized labor, which is quite well informed on the current economic situation. In any event appropriate action may require both employers and labor to operate through the collective bargaining process. The chief question then is:

How much should the wage change be?

I think that the total change in wages for the bargaining unit should be proportional to the total change in real income of the gainfully employed workers of the country, estimated as needed to absorb the output of proven productive capacity, thereby making way for further increases in productivity. The proven productive capacity is reflected by the new high level of (peacetime) real national income.

How the total wage increase of the bargaining employer should be distributed among his workers is a secondary economic problem, as distinguished from the fundamental economic problem of relating the total wage increase to total increase in national production, and may be the subject of further collective bargaining.

Once the pattern of wage change has been set, other industries may follow either on the initiative of business statesmen or on the initiative of labor. Industries experiencing only relatively small increases in productivity, or even declining productivity, may defer the making of wage increases but sooner or later, they too will be forced to follow the pattern in order to retain employees. Simultaneously such industries may find it necessary to increase prices for their products. By such means equilibrium in the economy may be maintained or at least approximated with the avoidance of serious general dislocations.

The wage change initiator, if he be an employer, must hold and exercise a strong conviction regarding the inexorable operation of fundamental economic law in a free economy. He must act on the belief that while at a given moment a wage increase may temporarily reduce profits, in the long run it should increase his dollar profits by enlarging the market for his goods, even paving the way for profitable expansion of plant capacity.

The business unit which experiences a declining productivity, but which must increase wages to hold workers while increasing prices to prevent immediate financial loss, faces gradual forced liquidation and must be guided accordingly. This eventuality indicates one of the provinces of economic forecasting.

I have stated a few simple facts of economic history and their implications as consequences of the operation of the laws of competitive enterprise. These laws must be observed if the economy is to remain substantially free.

Yolande Corp. Stock Offered at $10 Per Sh.

Public offering of 50,000 shares of $1 par value common stock of Yolande Corp., New York, was made Nov. 19 by a banking group headed by E. F. Gillespie & Co. Inc., and Childs, Jeffries & Thorndike, Inc. The shares were offered at $10 each.

Proceeds from the sale of this stock, together with other funds to be received by the company, will be used to purchase 10,995 outstanding shares of capital stock of Island Needlework, Inc.; to retire 625 shares of 6% cumulative preferred stock, $100 par value, at $110 per share plus accrued dividends from July 2, 1946; to reimburse the company for moneys spent in the purchase of property and equipment, and the balance will be added to working capital.

Mutual Funds

By BRUCE WILLIAMS

"Twenty Crucial Years"

It isn't every day that a full-size book is written about an investment company. Nor does such a story often contain so much of genuine interest to investors, business executives, trust officers, students and writers of financial history as does "Twenty Crucial Years—The Story of Incorporated Investors, a Pioneer Investment Company."

There is so much of interest in this well-written book that we cannot hope to do it justice in a single column. Particularly enlightening is the frank account of the gradual development of the company's investment policy from that of maintaining a fully-invested position in "name" stocks to that of "industry selection" and concentration in the favorably situated industries. The present policy involves two forms of timing that were not attempted during the company's early years—timing of shifts from industry to industry and timing of the general trend by assuming a large cash position when it is felt that security prices generally are entering a bear market.

The final chapter of this book contains the following summation:

"Twenty turbulent years have passed since Incorporated Investors first offered its shares to the public. In the interim there has been a wild speculative boom, a shattering depression, the advent and expansion of the New Deal and a second World War. It would be hard to find another twenty years in history when so many events of world-wide importance occurred. Virtually every year has seen an emergency of some kind and the last year of all was torn by the most violent upheavals of history.

"For the investor the two decades have been particularly difficult and it is a tribute to the validity of the investment trust idea that it was able to grow and assume its present functions. The growth was not steady, to be sure—the lack of favor into which investment companies fell during the depression was not dispelled easily. But since the Federal investigation of the industry was completed, the investing public has become increasingly aware of the useful service which investment companies perform.

"Among the more recent manifestations of confidence is the increase in orders placed for fiduciary accounts. More and more, and particularly so in the last few years, trustees, trust companies, and various institutions charged with the care of other people's money have placed a part of their accounts with management trusts. This, of course, has been especially true of trustees and institutions handling many small accounts because it frequently happens that even if sufficient diversification is possible, the costs of handling these accounts is distinctly uneconomical. The small percentage charged on each of these accounts seldom covers the cost of the individual care required. This demonstration of confidence on the part of persons acting in a fiduciary capacity is encouraging, not because it means increased sales but because of the character of the men involved. Traditionally the trustee is the most careful and conservative of all investors. To pass the rigorous test of his approval is very gratifying.

"Owing to the emphasis placed on small accounts and small investors in the early years of investment trusts, a feeling grew up that the field was unsuitable for larger accounts. This idea has been gradually losing force. Even though a management trust is an obvious vehicle for such small funds, many large accounts have recently come under the care of investment companies. Incorporated Investors, for example, in the 12 months ending June 30, 1946, received 18 individual orders of over $100,000. This development is encouraging for the same reason as the increase in orders for fiduciary accounts, since these large investors are equally careful with their funds.

"Men who are used to handling the financial affairs of others know that no guarantee of continued success can ever be made. The records of the past may give some indication of the ability of the management, but the investor must not be too hopeful. The wisdom of every investment cannot be established until an uncertain date in a continually receding future. It is on this elusive future that an alert management must fix its thoughts and base its investment policies.

"The development of an investment policy has been described in the case of Incorporated Investors. The early conception of buying only the largest and strongest companies in each field has been abandoned to the search for undervalued securities. The doctrine of 'buy and hold' was discarded in the early thirties and the company now attempts to assume a cash position when it feels that the market is too high. Capital appreciation has always been a cardinal aim of Incorporated Investors, but even greater impetus has been given to this aim in recent years. Within the framework of these policies, the company believes that it can perform a real service for its shareholders.

"As to the detailed methods of executing these policies, and the anticipated timing of cyclic moves of the market, the company can make no commitments in advance. History does not develop in any set formula and while it may repeat itself, the pattern continually changes, old sequences are reversed, and now the tempo has been quickened under the stress of the atomic age.

"The most immediate problems of this point of time that face the investor are reconversion, labor-management conflicts, and inflation. There are doubtless many other questions that need answers today and the events of tomorrow will pose new problems of equal urgency. International relations, the ever-present menace of the atomic bomb, and even the uncertain direction of our federal government are already much on the country's mind. The impact of such external forces on investment values is sure to be decisive, but no one can predict with confidence the eventual issue of these, the most pressing problems of our times. Nevertheless the investment philosophy of Incorporated Investors is predicated on the eventual solution or at least abatement of our international differences and the retention of the profit system in the country's economy without too great inroads by socialization. Any other assumption would be based on fear—and no progress or profit can ever be made on the basis of fear.

"Aside from these considerations, the investor of today has ample worries to plague his days and make sleepless his nights. For the busy man who cannot devote much time to investment problems, for the small investor who cannot obtain adequate diversification on his own account, for the trustee or trust company which finds itself losing money on a multitude of small accounts, and for anyone else who lacks either time or experience, the open-end management company can provide a much-needed service. . . ."

Dividends

Wellington Fund, Inc.—A year-end dividend of 70 cents per share, payable Dec. 27, 1946 to shareholders of record Dec. 11; 12 cents being from ordinary income and 58 cents from net realized securities profits. All or part of the total dividend may be taken in stock at the holder's option at the net asset value of the shares at close of business Dec. 16.

Massachusetts Investors Second Fund, Inc.—A special year-end dividend of $2.40 per share out of net realized security profits payable Dec. 24, 1946 to holders of record Nov. 22.

Eaton & Howard Balanced Fund—A dividend of 30 cents per share from capital gains payable in stock Dec. 24, 1946 to holders of record Nov. 29. Shareholders have option to receive cash or stock.

Group Securities, Inc.—The following dividends have been declared payable Nov. 20, 1946 to shareholders of record Nov. 4. In the case of Agricultural Shares, General Bond Shares, Merchandising Shares and Railroad Bond Shares the **extra** dividends are payable in stock or cash.

	For Fourth Quarter		
	Regular	Extra	Total
Agricultural	.06	.40	.46
Automobile	.06	.01	.07
Aviation	.14	.05	.19
Building	.05	--	.05
Chemical	.04	--	.04
Electrical Equipment	.10	.08	.18
Food	.05	.07	.12
Fully Administered	.06	.01	.07
General Bond	.09	.27	.36
Industrial Machinery	.08	--	.08
Institutional Bond	.08	--	.08
Investing Company	.08	.07	.15
Low Priced	.03	.07	.10
Merchandising	.07	.50	.57
Mining	.04	.02	.06
Petroleum	.06	.01	.07
Railroad Bond	.04	.60	.64
Railroad Equipment	.03	--	.03
Railroad Stock	.05	--	.05
Steel	.06	.02	.08
Tobacco	.06	--	.06
Utilities	.015	.035	.05

[The views expressed in this article do not necessarily coincide with those of the "Chronicle." They are presented as those of the author only.]

A Central Underwriting Fund for Small Business

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to preference or to nonaccess to external funds is debatable. When small business voices a demand for external funds, it is likely to be an imperative demand.

The problem, primarily, reflects an institutional gap in that it involves a form of risk-taking to which the existing structure and the prevailing standards and practices of the nation's investment and credit institutions are ill adapted. The reluctance of funds to flow into venture enterprise is the underlying problem. When the funds are institutional, and the ventures small and personal, this problem becomes more acute.

Historical Basis of Problem

In previous times the individual local capitalist placed his funds directly on an ownership basis, in small but promising enterprises with which he was in touch. He shared their risks and profits outright, ordinarily not burdening them with hypothecation of assets, fixed charges, and debt obligations. His ally was often the so-called "personal" banker of the locality, who also supplied the seasonal and short-term credits. These two traditional figures were small business' appropriate financial source.

Both have largely disappeared, the one in favor of the investor in securities of listed corporations and of Government, and the other under the influence of the modern objective standards of loan security and of the avoidance of risk in banking. The unsolved problem is that of their replacement. Various attempts have been made to devise some form of institution that will finance the fluctuating enterprises and ventures. In the years prior to the First World War, when the problem first began to emerge, some communities raised local funds to provide capital for local enterprises. About 20 such funds exist today and in some cases their work has been valuable, but the movement has not become general.[2] A revival of this type of organization, with Government backing, was recommended in 1945 by the Investment Bankers Association of America.[3]

An increasing number of the new small businesses started in the later 1920's were financed in considerable part from big business sources, which needed new parts suppliers, outlets, and services. While a marked development resulted, the problem of the pseudo-independent or satellite small business also rose, and the danger of increased financial dependence of small business upon the large corporation was driven home. A current inheritance from the 1920's is the movement for the attainment of true independence by such enterprises, which is advancing especially among concerns engaged in the distribution of petroleum products.

The depression of the 1930's not only drove venture capital into hiding, but also brought the external financing problem of small business to the acute stage where working capital supply was restricted. Lending concerns in search of liquidity terminated short-term lines of working capital credit, with resulting business discontinuances that added to the cumulative effects of the depression. Congress met this situation in part by inaugurating in 1934 direct financial assistance to private business through the Federal Reserve System and the Reconstruction Finance Corporation.[4] The assistance, limited to credits with maturities of not more than five years, and, in the case of the Federal Reserve, to working capital credits, took three forms: direct loans made by the agencies from their own funds; loans shared by them in participation with banks or other commercial lending institutions; and loans made solely by the private lenders with an agency's underwriting or guarantee. The amounts so loaned or guaranteed were not large, but provided relief in individual instances. A primary significance of the experience was in developing the guarantee or particular case insurance of commercial loans by a central underwriting agency. The guarantee emerged over an eight-year period as the best of the three forms of credit support, became the fundamental plan of the large-scale financing of war producers by the commercial banking system in the Second World War, and is the central plan advocated today for a lasting solution of the external financing problem of small business.

2 Chamber of Commerce of the United States, *Community Industrial Financing Plans* (in mimeograph). Also, Ernest J. Hopkins, *The Louisville Industrial Foundation: A Study in Community Capitalization of Local Enterprises*, Federal Reserve Bank of Atlanta, 1945.

3 *Capital for Small Business*: A Statement on National Policy by the Small Business Committee of the Investment Bankers Association.

The primary form of guarantee developed by this 12-year experience is the "take-out agreement" or "deferred participation." The commercial lender makes the original loan to a business with its own funds and services the loan throughout, but it does so under an agreement entered into at the start whereby at any future time the commercial lender may sell part of the loan to the central guaranteeing agency. If all goes well with the loan, the option to sell is never exercised, and the guarantee fee—stated as a portion of the interest rate on the loan, and paid by the bank as a premium for the contingent protection—goes into the central guaranteeing fund. But if in the commercial lender's opinion loss is threatened, or if the commercial lender desires to become more liquid, the lender exercises his option and the previously agreed-upon portion of the loan is bought by the central guarantor. Thus the "deferred participation" becomes an actual one, and from then on the loan is a partnership transaction between the originator and the guarantor, both the profits and the losses being shared *pro rata* on the basis previously agreed.

It may be observed that under this plan the central underwriter has a "pool of risks"; some individual transactions will make a return while others will incur a loss. This is fundamentally the principle of insurance, and it is regarded as the key to the institutional financing of business ventures which cannot be undertaken singly but can be undertaken in aggregates or groups; the larger and more diversified the better. There will be further discussion of this plan.

In 1939-40, when the small business situation was investigated by the Temporary National Economic Committee of Congress, it was found that the restrictions of the 1934 legislation had prevented solution of the equity capital problem of small business, while the period of working capital shortage had contributed to a flourishing development of high-cost lending institutions. The survey emphasized the need of a greater entry of commercial banks into the small business working capital field, also the need that banks should make long-term capital loans to small business.[5] This finding caused controversy at the time, although commercial banks were currently increasing their term loans to large borrowers, from an estimated $217 millions made in 1938 to an estimated $1,352 millions made in 1940.[6]

4 Through the addition of Section 13b to the Federal Reserve Act and of Section 5d to the Reconstruction Finance Corporation Act.

5 Temporary National Economic Committee of Congress, *Problems of Small Business*, (Monograph No. 17), pp. 276-77.

During the Second World War the financing problem of small business took the form of a lack of conversion and expansion capital for the small war producers. This was met in part through leases of equipment and direct cash loans by the Smaller War Plants Corporation to firms with less than 500 employees, and in greater part through the guaranteeing of commercial bank loan risks by the war procurement agencies through the agency of the Federal Reserve System under Regulation V of the Board of Governors. The arrangement for guarantee of loans under Regulation V drew on the commercial bank as the source of funds and reemphasized the effectiveness of a central guaranteeing plan behind credit risks in enabling bank credit funds to flow. The Smaller War Plants Corporation authorized $504 millions in loans and leases, all to small concerns. The V loan guaranteeing system authorized $10.3 billions in bank credit to war contractors of all sizes, and was an outstanding feature of the financing of war production. The large majority of borrowers were of medium size or small; loans authorized for firms having not more than $500,000 in total assets aggregated $835 millions up to March 31, 1945.

Since the war, groups of the larger commercial banks have offered central protection to the smaller banks through a form of credit pool that offers outright loan participations rather than insurance type guarantees. Also, the Reconstruction Finance Corporation, backed with Federal Government funds, has offered a blanket guaranteeing plan, covering commercial loans up to 75% of their face amount without individual examination of the risks, but with certain standard requirements. Neither of these differently limited central fund plans has been fully tested as yet.

6 Neil H. Jacoby and Raymond J. Saulnier, *Term Lending to Business*, National Bureau of Economic Research, pp. 2-3.

Central Principle of Solution

The experience summarized above points to the principle upon which current thinking centers as a permanent solution for the external financing problems of small business. It is generally agreed that direct Government lending to business, involving dangers of subsidization and of Federal invasion of private enterprise both in industry and finance, should be at most an emergency measure. Also it is generally accepted that the commercial banking system, with its 14,000 outlets, its unparalleled ability to make contact with the smaller enterprises everywhere, and its abundant financial resources, would provide the best possible solution of the institutional difficulty if an adequate portion of its credit capacity could be enabled to finance business ventures. It has been well demonstrated that commercial banks will finance difficult and off-standard business situations if in so doing they do not jeopardize their responsibility to depositors and stockholders. The obstacles are mainly twofold: the need for a modification of credit standards, which are somewhat entrenched, and the necessity that the individual bank — primarily the smaller bank — be protected against undue loss of liquidity and undue financial risks on the credits it extends.

There should be established, as a permanent feature of the commercial banking system, a central fund to be used for the underwriting or guaranteeing of business loans, particularly of those credits that an individual bank cannot extend if it must assume the entire risk. The deferred participation plan, which leaves the original lender free and utilizes his funds alone unless and until the transfer of risk is needed, should be the prevailing plan of operation of the central fund. The types of business situation financed, the relations between the guarantor and originators of the credit, and the percentage of risks contingently assumed by the central fund, should all be sufficiently liberal so that the risk margin of credit from institutional sources can be extended into the longer term as well as the short-term loans, into the area of small business, and into the financing of the important venture sector of business enterprise.

This plan applies to both working capital and fixed capital needs of small business. It may be summarized from three points of view. From that of the business that needs external funds, the endorsement made by the central fund amounts to a supplementation of the loan collateral or other security that it can supply. From that of the lending institution, the security behind its loans is upbuilt, its liquidity is protected and its earnings increased by "new business," which it otherwise could not undertake. From that of the central fund itself, a "pool of risks" is created, and the operation is essentially that of an insurance system, though less rigid than formal insurance. The plan is not new; its features have been tested in other connections; it merely requires adaptation as a permanent feature of the banking system.

Application to Working Capital Credits

This plan applies, first, to credit for working capital purposes. Small businesses, as their high sales volume implies, are relatively large users of working capital. Those that need credit for financing their current operations obtain it at present from a variety of sources. Despite the variety, the particular situation is often

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Consumers Power Co. Issue Oversubscribed

Morgan Stanley & Co. headed a group of 31 investment bankers which on Nov. 15 publicly offered 500,000 shares of common stock (no par) at $36 per share. The offering has been oversubscribed. These shares were awarded to the Morgan Stanley group Nov. 13 on a bid of $33.5399 a share.

The 500,000 shares of common stock are being issued in addition to the presently outstanding 3,623,432 shares of common stock owned by The Commonwealth & Southern Corp., its parent company, and will thus represent a 12.1% minority interest. This financing constitutes the first offering of common stock to the public by Consumers Power Co. since it became a subsidiary of the holding company. Proceeds to the company from this sale, amounting to approximately $16,769,950 will be used for property additions.

The company's current construction program is estimated to cost in excess of $53,000,000 and will include 170,000 kilowatts of additional steam-electric generating capacity, the development of natural gas storage fields and additional natural gas transmission line connections with Panhandle Eastern Pipe Line Co.

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

Prices of government securities have given ground, as the market seems to be adjusting its position to developments that appear to be temporary and largely technical. . . . Failure to penetrate recent tops, along with the minor turn down in prices after the elections, created a cautious attitude among buyers, which resulted in a thin inactive market. . . . With the announcement by the Treasury that the Dec. 1 maturity of ⅞% certificates would be "rolled over" and the 1½% notes due Dec. 15, would be paid off in cash, prices were quoted down with volume very light. . . . Cautiousness increased and more investors took to sidelines, as dealers let out a few securities, which further depressed prices because of the thinness of the market. . . . About that time, it was reported that the insurance companies were in the process of switching from the longer bank eligibles into the restricted bonds, and with the market uncertain the selling of the eligibles pushed down the whole list, with the result that only one side of the shift was completed. . . .

The support that would have come into the market through the purchase of the ineligibles was withdrawn, when it was decided not to buy these issues immediately because of the softness of prices and a minor increase in offerings. . . . By sitting back and waiting, it is indicated that most of these restricted issues have been picked up at prices that were better than anticipated. . . .

Likewise it is rumored that some of the shorter maturities of the taxable 2s were offered for sale by non-bank investors without too favorable a reception. . . .

DISAPPOINTING

Although the exchange of a new certificate for the December maturity, as well as the cash redemption of the 1½s, was by no means a surprise to the financial district, it seems as though certain dealers and some of the commercial banks were expecting a partial redemption of the certificates as well as an exchange offer for some of the 1½s. . . .

As a result, it is believed that there will be some offerings of securities by those who will have to adjust their positions to the coming financing which did not turn out exactly as had been anticipated. . . . This should be temporary but it will have an effect on the technical position of the market, until it has been cleared up. . . .

Dealers with longer-term obligations, which they were expecting to sell to institutions, may have to hold them for a somewhat longer period, because funds for their purchase will not be immediately available. . . . War loan calls will be heavy, but most of the commercial banks are well prepared for this development, with some institutions expecting to lose as much as 90% of their government deposits. . . .

TREASURY POLICY

Phychology is also an important element in the present situation, with reports indicating that some of the money market experts believe that the Treasury should issue long-term obligations in order to make use of savings bank and insurance company funds, at the earliest opportunity. . . . There may be a shortage of government obligations that these institutions can purchase at 100 to yield 2½%, but at the present time there are at least some Treasury issues available at yields that seem to be very attractive, when compared with certain of the corporate issues that have been taken on in some instances in their entirety by non-bank investors. . . .

What the Treasury should do has not always been in line with what eventually takes place. . . . With the recent change in political parties and a new group in power in Washington, some uncertainty has been injected into the situation. . . . Nonetheless, is is not expected that there will be noticeable changes in financial policy from that currently being followed. . . .

Also it should be remembered that the authorities which have been administering the finances of the government still have some time to go yet before they will be out of the picture. . . . Therefore, it seems to be the opinion of many money market followers that an issue of long-term high-coupon obligations will be dependent upon business conditions. . . . What this trend will be may not be clear for some time yet, which would seem to indicate no immediate offering of new securities. . . .

SAVINGS BANKS INACTIVE

Savings banks in some instances are reported to have been losing deposits, which has affected their attitude toward the market. . . . This trend is, however, not expected to assume substantial proportions unless there is to be a prolonged period of poor business which is not expected by most economists. . . . On the other hand, these institutions still have funds available for investment and it is believed that they are more likely to go into government securities rather than into other investment channels, pending clarification of this situation. . . . Shifting of obligations will no doubt continue as in the past, with bank eligibles being switched for restricted securities. . . .

DEBT RETIREMENT

The December financing will bring to a close one phase of the debt retirement program, which has been to a very considerable extent the turning back of funds raised during the Victory Loan. . . . From now on, debt repayment will have to come from surpluses arising from an excess of revenues over expenditures. . . . The trend of revenues will depend upon business conditions, while expenditures will be affected by international economic conditions. . . .

A balanced budget with lower taxes would be very beneficial and would seem to indicate no need of financing by the Treasury to continue the policy of debt retirement. . . . Sufficient funds should be available from Government Trust Funds to take care of most of 1947 maturities aside from certificates, which could be "rolled over." . . .

Whether there will be an acceleration of debt retirement will be dependent on commodity prices and business conditions. . . .

EXTENDING MATURITIES

The elimination of the 1½% notes on Dec. 15 means that the commercial banks, the largest holders of this security, will have to extend maturities in order to make up the income that will be lost by this cash redemption. . . .

In order to obtain a yield of 1¼% these institutions will have to move out into the 1952/54 area, with the 2% due June and December the most favored issues. . . .

The 2¼% due 1956/59 will no doubt be taken on by many of the institutions that are seeking a somewhat higher return with a maturity still within the 10-year range. . . .

IMPROVED MARKET EXPECTED

Despite somewhat unsettled market conditions that may continue until after the financing on Dec. 15, or even until near the end of the year, there seems to be ample support for the opinion that periods of weakness should be good buying opportunities. . . . It is believed that technical conditions will improve and the "money squeeze" should be eliminated, as we move into the year end. . . .

This should create a demand for available issues, the supply of which has not been large, and is not expected to increase substantially despite adjustments that will no doubt have to be made. . . .

Basic fundamentals have not changed because low money rates are still a necessity because of the large debt. . . . Accordingly improved market conditions are expected in the not distant future.

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monopolistic; an individual small concern may have a single credit contact and be unable as a practical matter to shift to any other. What is most needed with respect to working capital is a greater competition among credit sources, as a control upon rates and upon credit practices. Also greatly needed is a firmer assurance against sudden reduction or termination of the credit, particularly in times of depression.

The principal forms of working capital credit to small business at present are mercantile credit, extended to trade concerns by the suppliers of their inventories; cash credit, or the equivalent of credit, supplied by factors, finance companies, and small-loan companies that purchase accounts receivable at a discount; and lines of credit based upon accounts receivable as security, or short-term credit upon other security, supplied by commercial banks. The mercantile credit has the advantage of being directly related to the size of a business in volume of sales, rather than to its capital size. So also, within narrower limits, has the credit that is based upon customer accounts rather than upon the capital assets of the business.

Problems in connection with these forms of credit arise at times when sufficient competition is absent. Thus, while mercantile credit provides most small retailers and wholesalers with inventory on a deferred-payment basis and is the mainstay of countless such concerns, its costs in individual cases are often concealed in the prices of commodities and are difficult to calculate; also, where no alternative source exists, "tie-in sales," price differentials, and other creditor controls may occur. The discountnig of receivables also is of much benefit to some small concerns that must carry their customers' accounts; many that do so, however, are excluded from this form of accommodation by lack of confidence in their credit policies on the part of financing concerns, and it was in this general field that the TNEC investigators in 1939-40 found instances of unduly high charges. Neither the mercantile credit nor the discount of receivables is subject to adequate legal regulation in some States, a situation that emphasizes the need of increased competition.

Such competition can best be furnished by the commercial banks, in the form of cash credit. Banks have increasingly entered the small business working capital field, with results that have generally benefited the earning capacity of the clients. The charges are inevitably somewhat higher than the charges of a corresponding service to large concerns; the interest rate includes not only true interest, but also the unit cost of handling and servicing the small transaction, plus a margin for protection against loss. Experience and system, however, can reduce the handling cost, while the proposed central guaranteeing fund, costing only the premium fee, would replace the loss coverage factor. More fundamentally, the guarantee, being tantamount to additional collateral, would enable loans to be made in higher ratios to the equity size, in which, as has been seen, the smaller businesses are characteristically deficient. The guarantee also would stabilize the short-term credit against discontinuance on the basis of temporary or cyclical fluctuations in business earnings. In this way it appears that the major needs of the small business working capital situation would be met by the establishment of a central fund for underwriting the working capital loans of banks.

Application to Long-Term Capital Needs

It is often stated that the main requirement of the small business is a greater availability of "equity" or capital funds. But as to the method by which such funds should be raised confusion exists. Small businesses not infrequently have been advised to sell some portion of their ownerships in order to raise equity capital. Proposals have been made for solving the financing problem of small business by establishing a private or a governmental investment corporation, to purchase and hold ownership shares in small business, usually with the privilege of reselling them.

Such proposals appear untenable. The primary characteristic of small business, and the one best worth preserving, is its independence of ownership. The management of the great corporation usually does not care and seldom knows who has acquired stock in the corporation, unless the block be so large as to convey a concentration of control. But in the case of the small business, any sale of ownership conveys a considerable degree or control. Within the intimate and personal relationship among stockholders in the closely held or family corporation, or between partners in

unincorporated small businesses, even a minority share has a voice, and a difference of opinion readily becomes dissension.

The small business proprietor, if he has faith in his business, wants to retain the full profit of that which he has built, and also is aware of the dangers of dividing the control. The lack of a trading post for small business ownership shares thus is due not alone to lack of investor demand for the less well-known security, but to lack of supply from small business. If the independent proprietor sells a share in his business to a stranger, he assumes an unknown risk; personal considerations enter even in accepting a "silent partner," experience having shown that such a partner does not always remain silent. If he sells a share to a larger business, or to an investor associated therewith, the independent enterprise tends to become a subsidiary. If, as has been proposed, a private investment company were set up to buy small business equity shares, it would strongly resemble a small business holding company, a situation from which a new set of problems might conceivably arise. If the equity capital source were a government agency the problems would be yet more fundamental, endangering the private enterprise character of the venture sector of the economy.

These considerations are cogent ones. For small business to raise its needed capital by forfeiting its independent status would be to abolish that which it is primarily sought to preserve. It becomes necessary to regard the problem of supplying capital funds to small business as a problem in the field of term credit. A business debtor's independence is reduced during the life of the debt, but it is not permanently sacrificed.

Obstacles to the Term Loan

That commercial banks should become a source of term loans to small business is among the recommendations of the Postwar Small Business Credit Commission of the American Bankers Association. That the purposes of such term loans should include fixed-capital as well as working capital purposes is contemplated in a pamphlet circulated by the Commission.[7] That these recommendations involve a departure from a long standing tradition in bank-credit practices is of less vital importance than the fact that practical obstacles exist. The difficulties of risk appraisal for small business credit purposes increase when the risk must be estimated in advance for a period of years.

1. Available collateral is likely to be inadequate for a term loan. Clearly, the typical small business has a relatively small amount of fixed assets in ratio to its volume of business. In terms of credit, this means that its ability to supply first-mortgage security in the form of land, buildings, and equipment is relatively limited. The fixed assets, moreover, often have a special purpose quality, reducing the ability of the creditor to recover the value in resale. Time increases the doubt as to such value. Some additional collateral and assurance of repayment in the distant future appear essential if term funds are to flow.

2. The life prospect of the small business also is a credit risk. Various statistical samples have indicated that the life of the small business is much briefer than that of the large. Such statistics must, of course, be qualified; they often reflect changes in the proprietorships rather than in the actual business life, the fact in many cases being that proprietors come and go, while the business continues and previous debts are assumed. It remains true, nevertheless, that the small business is ordinarily reliant upon one man, its proprietor, and that the longevity of that man, and his continued association with the enterprise, are factors of doubt in term credit.

3. The future of the restricted market upon which the small business rests is difficult to foresee over time. An enterprise selling to one or two business consumers may lose its entire market at a stroke. One that depends upon the consumers of a small town or a neighborhood is dependent on the continued purchasing power of that locality.

4. Earnings of small business are likely to be highly fluctuant. Fixed charges for debt retirement therefore are likely to become delinquent at some time in the life of a term loan, and a considerable flexibility in retirement terms, even in interest payments, is necessary if foreclosure is to be avoided. This does not mean that the debt will not be retired in time. The Louisville Industrial Foundation, which abandoned the "straight-line" payment schedule in favor of various graded payment plans, including sliding schedules, partial recapture of net profits, and liberal use of extensions and refinancings, has had repeated experiences of 10-year loans that dragged on for as much as 15 or 20 years, only to be retired successfully with interest paid in full in the end. Other loans were retired well ahead of time.[8] Banking standards, derived from the more stable type of enterprise, must accommodate themselves to fluctuating business earnings and include flexible practices of loan retirement if small business is to be provided with term capital.

5. The culminating obstacle, applying to all four of these considerations, is that the commercial banking system is composed of many unit banks and that most banks interested in small business are themselves relatively small. They must safeguard their liquidity, their individual credit capacities are limited, and in many cases the requisite appraisal technics and flexible practices for the term loan to a small business are unfamiliar in their experience.

Central Guaranteeing of Term Loans

To the obstacles stated above, the central fund credit underwriting proposal emphatically applies. Indeed, without an insurance type protection behind the credit risks of small banks, commercial banking cannot become the source of long- or medium-term capital loans for small business to anything approaching the required extent.

The guarantee, which amounts to a cosigning of the note of the small business by the guaranteeing agency, provides what is in effect the necessary collateral. The risks of changes in ownership and of business discontinuance are cushioned by the insurance. So likewise are unforeseen changes in the market base; the existence of the guarantee enables the creditor to wait while market readjustments are being made. The insurance further provides a safeguard behind which the necessary experimentation in flexible retirement policies may occur. Since the stipulated portion of the credit can be transferred to the central fund at the bank's demand, liquidity can be regained at any time. All these features were fully demonstrated by the wartime loan guaranteeing experience of the Federal Reserve System under Regulation V.

Some General Considerations

The central credit underwriting plan is not new. It was tested over an eight-year period prior to the Second World War under Section 13b of the Federal Reserve Act and Section 5d of the Reconstruction Finance Corporation Act. The culminating proof of its effectiveness occurred during the war, when 10.3 billion dollars in commercial loans to war producers were guaranteed through the agency of the Federal Reserve System, with a loss ratio of only 0.06%.

This was an exceptional situation, since the sales of war products were assured in advance provided they were up to standard; a higher loss ratio is doubtless to be anticipated under peacetime market conditions, especially if a depression should occur. To stabilize the access of small business to loan funds would, however, have an important effect in counteracting depression.

The proposed underwriting of credits has been attacked in certain circles as tending to reduce the independence of judgment of the commercial banks. It is questionable whether the usage of any form of voluntary insurance can be validly attacked upon this ground. As in the other forms, 100% protection of credit risks is not proposed, primarily for the reason that the judgment and responsibility of the lending institution must be retained as an essential feature of the plan.

The Reconstruction Finance Corporation in its blanket guarantee plan provides that the lending institution shall retain at least 25% of each risk exposure. The Board of Governors of the Federal Reserve System, the writers of the Baruch-Hancock Report, and the Small Business Advisory Committee of the Department of Commerce have recommended that in individual cases the coverage may be as high as 90%, in order to permit an adequate assumption of ventures and extension of the existing margins of commercial credit to new borrowers. To accomplish the main purpose of the plan, the coverage of risk must obviously at times be high; in the wartime experience under Regulation V, the over-all amount guaranteed was about 85%, and more than half of all V loans carried a 90% coverage against loss. With favorable experience, no doubt, the percentage of coverage would tend to decline.

Much would depend in practice upon the administration of the underwriting fund. This should be liberal. If too selective, small business would remain inadequately financed; if recklessly administered, the fund would have an unduly high loss ratio and the premium rates would rise. The requirement that the lending institution retain a share in the exposure is in itself a protection against recklessness; indeed the more immediate danger is in the other direction, namely, that of a too great avoidance of economically desirable ventures.

It is of the nature of insurance to extend its inclusion of risks as widely as possible in the interest of a large and diversified "pool." This conforms to the purpose of the plan. Finally, the necessity of experimentation and trial and error experience in venture financing is obvious. What is called for fundamentally is the revival of venture in institutional finance. If private enterprise in finance, especially commercial banking, does not solve the problems of financing small business, the pressure for the Government to do so will undoubtedly increase. The banking structure should include provision for a central underwriting of its small-business credit risks.

Summary and Conclusion

The small business sector is of fundamental importance to the economy, not only because large numbers of small enterprises perform a wide variety of detailed economic work, but also because of the need of preserving an area of individualism in business and retaining the essential place of venture enterprise in the economy.

Through a half-century or more of increasing centralization, the small units have continued relatively as numerous as ever. Their place in total production today centers upon those numerous functions that are capable of small-unit performance. For these functions small business has flexible efficiency. The normal quota of business aids has, however, been lacking and the business environment has been unfavorable to smallness for many years past. The effect of the "institutional gap" in business facilities, combined with the operative limitations of smallness, has been to restrict competition, reduce venturing, and place many small businesses in a dependent and ancillary position.

The first line of attack upon this situation is to make available to the smaller units those non-financial business services that are readily available to the large organizations — informational, technological, advisory, and other managerial facilities — together with an increased protection against destructive practices in competition and in the bargaining relationships between small units and larger ones.

The second main approach is financial, calling for adjustments in taxation to aid internal financing, for the provision of adequate access to external funds for small businesses, and for a greater equalization of the differentials in financial services among businesses according to size. Cheaper and more reliable working capital credits are needed. A yet more primary need is term credit for capital purposes.

The problem of commercial banks and other lending institutions in providing such credit can be solved through a central underwriting fund behind their more uncertain credit risks. Such an underwriting fund should be set up in the established central banking agency of the commercial credit system as a permanent aid to small business.

7 Association of Reserve City Bankers, *Term Lending by Commercial Banks*, pp. 4-6.

8 Op. cit., pp. 9-11, 39.

Canadian Securities

By WILLIAM McKAY

Despite its age-long incontestable position as the universally accepted standard of currency values, the price of gold has invariably been controlled by political considerations rather than by the natural influence of economic forces.

In 1931 Britain ignored the obvious economic consequences and arbitrarily lowered the value of gold in terms of sterling; the dire results were not slow to make their appearance. Moreover it was not until the pound was placed in a more natural relationship with gold that the British economy regained its equilibrium.

One of the fundamental assets of gold as a standard of values is its comparative inelastic volume of production. Consequently in an ever-expanding world economy there will be inevitable and constant pressure in the direction of a higher price for gold in relation to commodities. Currency devaluation although sometimes selfishly and ruthlessly employed has in the main been more in harmony with natural economic forces, and has had as one result a stimulation of commercial activity.

On the other hand an arbitrary upward revaluation of a currency, especially when the country concerned has an important stake in world commerce, has usually brought in its wake a period of painful readjustment with its concomitant evils of overrapid deflation, loss of trade, and unemployment.

It is perhaps a little early yet to discern the ultimate full implications of Canada's hasty step in marking down the price of gold in the terms of the Canadian dollar. However, in view of the Dominion's large and growing vested interest in the price of gold it certainly can not be interpreted as a measure for selfish national benefit. Apart from the initial loss to Canada's existing gold-mining industry there is the potentially greater setback of the discouragement of the development of the promising new fields recently discovered. No less apparently contrary to the national interest is the sacrifice of a 10% foreign trading advantage. The future can very well show that although the step could have been justified on the basis of more or less artificial wartime experience, in the competitive field of world commerce of tomorrow the situation can readily be reversed. On the immediately favorable side the lower cost of imports can lead to unnecessary dependence on supplies from abroad to the detriment of national self-sufficiency in industry.

Time alone will tell whether Canada can succeed where others have failed but it is still not too late to reconsider. On too many occasions failure to deal resolutely and realistically with the sacrosant rate of exchange has resulted in economic hardship and maladjustment. The Canadian authorities have hitherto shown a proper appreciation of the national interest even in the face of the strongest political and external influences. Thus the recurrent rumors of a further change in the Canadian dollar parity can prove to be based on firmer ground than mere propaganda of interested parties.

During the past week there was some activity in the external section of the market particularly in Canada 4's and 3¼'s. Internal Dominions were exceptionally dull with evidence of tapering off of the recent steady demand. Free funds were erratic and there were again irregular fluctuations either side of 5% discount. Internal stocks were devoid of particular interest and on the whole the Canadian stock markets held steady in face of the easier tendency in New York.

The general situation still indicates a period of watchful waiting and until the exchange position is clarified caution should still be exercised in increasing commitments in internal bonds.

Smith, Barney Offers Hiram Walker Debs.

An underwriting group headed by Smith, Barney & Co. and Kidder, Peabody & Co. offered to the public on Nov. 19 $30,000,000 20-year 2¾% debentures, due Nov. 1, 1966, of Hiram Walker-Gooderham & Worts Limited and Hiram Walker & Sons, Inc. The debentures were priced at 100% plus accrued interest from Nov. 1, 1946. Proceeds from the financing will be received by Hiram Walker & Sons, Inc., wholly-owned American subsidiary of Hiram Walker-Gooderham & Worts Ltd., and used in part to repay bank loans, a portion of which was incurred to provide funds for the redemption on Nov. 15, 1946 of a $10,000,000 outstanding issue of serial debentures. The balance of the proceeds will be added to cash funds of the American company to be spent, among other things, for investments in inventories and receivables and for capital additions, replacements and improvements to plants, processes and facilities to meet the increased volume of production anticipated as present governmental restrictions on the use of grain are relaxed.

The debentures will have the benefit of a sinking fund sufficient to retire $1,500,000 principal amount of the debentures annually beginning May 1, 1952. For sinking fund purposes the debentures will be redeemable at 100% and accrued interest. For optional redemption purposes, the debentures are redeemable at prices ranging from 102½% and accrued interest if redeemed on or before Nov. 1, 1949, to 100% and accrued interest after Nov. 1, 1965.

Upon completion of the financing, outstanding capitalization of Hiram Walker-Gooderham & Worts Ltd., the parent organization, will consist of the new $30,000,000 debentures and the 2,896,016 shares of common stock, without par value.

World Trade Writers Form Association

World Trade Writers Association, an organization composed exclusively of writers on foreign trade and finance for the daily press, has been formed in New York.

Switzerland's Wartime Economic Policy

(Continued from page 2604)

the only possible policy for small countries. While great powers can occasionally disregard their undertakings with impunity, the same conduct is never forgiven from a small and feeble power, and if the latter invalidates international conventions by its own behavior, it is sure to be the first one to suffer as a result. The charge of infringing a treaty could not be brought against our country at any time during the war.

As far as the export of war material is concerned, it must be said that this is an unquestionable right of neutrals. Nevertheless, the Federal Council had decided on a general ban on such exports at the outbreak of war, not from considerations of international law but for quite different reasons, one of them being Switzerland's own need for armaments and the current requirements of her army. Shortly afterwards this general ban was lifted, at the urgent request, it should be noted, of the Allied powers. No such request was made by the Axis. After this an industry which is really foreign to the Swiss character and inevitably irregular in its nature experienced a boom which was anything but desirable from the point of view of national economy. Up to May, 1940, 85% of our exports of this type of material went to the Western powers. It was only after the Axis belt had completely encircled Switzerland that the stream began to flow in another direction, after a pause during which dangerous disturbances of the labor market had already made themselves felt.

A single firm which manufactures a special, much sought-after anti-aircraft gun, reports that with the capitulation of France, orders worth more than 200 million francs evaporated overnight.

Pre-War Trade With Germany

From 1934 onwards our whole trade with Germany had been based on a self-contained clearing system, our partner not only having to meet Swiss deliveries with returns in kind but also having to export a great deal to us in excess of these in order to cover interest and amortization on credits granted before the Hitler regime, as well as on other obligations. This gave us a point of vantage from which to control the whole exchange of goods with Germany and to keep it within certain limits.

We shall later give exact figures to illustrate the course taken by our trade with the Axis States in the war years.

In these dark years after 1940 there were numbers of people who, though good Swiss at heart, resigned themselves to the joyless conviction that the war was already decided in favor of the Axis. It was thus necessary, willy-nilly, to accept the inevitable, for Switzerland alone could not hold up the course of European destiny.

In my opinion only an intimate knowledge of the Anglo-Saxon powers, their economic resources and above all their unbending character was able to save us from a false verdict of this kind. It was necessary also to be aware of the historical fact that Europe has never submitted for long to a rule by force by a single State, and that it had therefore to be Switzerland's chief aim to hold out until the counter-forces were mobilized.

Quite apart from this, the simple, obvious and unwavering belief in the future of our country should have made every Swiss proof against the attacks of defeatism.

Anyone who knows the details of our negotiations with the Axis is aware that the Swiss Federal Council and its representatives never fell victims to this psychosis, and that they had from the beginning a fairly clear idea of the inevitable course events must take.

When the story is written of their subborn fight against an overwhelming and often arrogant opposite using all the methods of intimidation, it will provide an example of a will to independence which was not less positive than the resolution of our army to defend the country at all costs.

The Axis Resisted

In the weeks of spring, 1943, when, as recent revelations have proved, strong troop contingents stood ready for action near our northern frontiers, the German spokesman emphasized his demands with the threat that Germany would not hesitate to let our country feel the full hardship of her encirclement. He even expressed the fear that Switzerland might be dragged into the vortex of war. In spite of this, there was no surrender; on the contrary, an infringement of agreements which came to light at the time gave our delegation a ground for withholding our supplies and throttling them in a new treaty.

On several occasions our country took upon itself the risk of a period without any agreement whatever.

That there was, alongside the open and more understandable pressure of the Axis delegates, an invisible and all the more dangerous network of resistance in our own country, which made the task of our representatives much more difficult, is revealed by the alarming reading of the White Book issued by the Federal Council last December. The success of our delegates' work was clear to every Swiss. Valuable raw materials and foodstuffs entered the country almost without interruption from Germany or Axis-controlled zones. We were able to transport our goods overseas and in spite of all restrictions were able to work, feed ourselves and equip and develop our army. But only those who could watch our representatives, often weary but never losing heart, from close quarters during these difficult years can imagine how bitter were the struggles over the conference table which finally led to this result.

Let us now consider the position of our country not through Swiss eyes but from the standpoint of the Allies, and attempt to understand what their impressions must have been.

Supposing our country had disregarded all the rulings of international law with regard to neutrality and had refused, after the fall of France and the closing of the iron ring of the blockade, to do any trade with the Axis or to permit any transit of goods through our territory, what would then have happened?

If the reaction of the Axis had been restricted to economic measures, which is doubtful, such behavior would immediately have resulted in all supplies to Switzerland being stopped, whether they were goods from the Axis countries themselves or only goods which had to pass through their territory. (In reality Switzerland was able to import goods exceeding a total weight of 22 million tons in the five years in question.)

Obviously, too, the Axis would have blocked all Swiss exports to non-Axis countries, whereas in actual fact Switzerland supplied goods worth 210 million francs and weighing 13,300 tons to Great Britain alone between 1940 and

1944. Swiss exports to the U. S. A. in the same years even amounted to 644 million francs and 13,900 tons. Switzerland was also able to maintain substantial exportation to the British Dominions, and in the case of India this almost reached the prewar value level. It can hardly be supposed that these countries at war bought goods in which they had no real interest.

Needed Imports

If the frontiers of Switzerland had been hermetically sealed from May, 1940 onwards, what would the military consequences have been? The development of our "reduit" was at that time not yet begun. For this purpose we required huge quantities of cement, iron, steel and explosives, all things which we had to import directly or indirectly (there can be no cement without coal). It would have been impossible to equip the army with modern weapons and to clothe and arm the newly raised troops (we had at times 800,000 persons in uniform, which is half our male population between 15 and 65 years of age and a fifth of all Swiss) if regular imports had not come in. Although in comparison with other countries we were very well furnished with stocks of all kinds at the outbreak of war, these would have melted like snow in the sun if our frontiers had been closed for any length of time, and however carefully our supplies had been managed we should soon have had to give up the attempt to meet the requirements of the army. At the same time acute unemployment would have presented itself, and with the supply of foodstuffs and vital necessities becoming daily more precarious the consequences might have been disastrous. Instead of being a center of stability Switzerland might easily have developed into a breeding ground of social unrest, exposed to all foreign subversive influences. The military results of such conditions are easy to foresee. Even the most willing and best-led army cannot fight indefinitely without good equipment, sufficient nourishment and continual supplies. This is proved by the heroic but unsuccessful resistance put up by the partisans in Poland, the Balkans and a few colonial theatres of war.

It is true that the army had taken all steps to ensure the destruction of objectives vital to the enemy in case war broke out and territory had to be evacuated. Up to what point these plans would have been realized, in view of the abundance of valuable stores, factories, transport equipment and the like, must be left to conjecture. There is no doubt, however, that the enemy would have taken an immense booty and would have applied his method of deporting able-bodied workers here as elsewhere, a measure which is if anything of more importance than goods. In that case there would not have been a tiny percentage of the Swiss working for Axis interests, but a majority would have been exploited to the point of physical exhaustion.

Switzerland the Key to the Continent

If the enemy had finally succeeded in destroying the Swiss powers of resistance and had set foot in the Alps, the whole strategic position would have been transformed. Was it not Field Marshal Radetzky who declared that the power which has Switzerland in its hands commands the whole Continent?

There is no need to speak here of the humanitarian activity made possible only by our neutral status, but it may be pointed out that the very existence of a free democratic Switzerland at the heart of a Europe under totalitarian rule, and especially her press and radio services, were immensely important factors in the maintenance of the spirit of resistance among the subjugated peoples of Europe. The visible and invisible threads which came together in Switzerland were legion, and it was these which preserved the contact between the oppressed peoples and which prevented the hope in a better future from ever being completely extinguished.

The great value of this center of intellectual and moral resistance has repeatedly won full recognition from the Allies.

Trade Relations

And now to the question of the actual trade relations.

It is possible today to give official figures, since the considerations which made it advisable to keep trade statistics secret during the war have now ceased to apply, though the fact should not be concealed that the figures were always at the disposal of the legations in Berne which were interested in them.

The total foreign trade of Switzerland during the war, i.e., from Sept. 1, 1939 till April 30, 1945, amounted to:

Imports—25.5 million tons, or 9.7 milliard francs.

Exports—5.25 million tons, or 7.8 milliard francs.

Of this total the following figures apply to the Axis powers, their satellites and the territories occupied by them:

Imports—18 million tons, or 5.7 milliard francs.

Exports—1.98 million tons, or 4.4 milliard francs.

We thus had an import balance of about 16 million tons, or 1.3 milliard francs.

The figures for all other States are as follows:

Imports—7.5 million tons, or 4 milliard francs.

Exports—0.27 million tons, or 3.4 milliard francs.

This gives an import balance of 7.2 million tons, or 600 million francs.

The import balance of our trade with the Axis was thus considerably greater both in weight and value. The low weight of our exports to non-Axis countries in proportion to their value shows that they were in general highly fabricated articles, or in other words goods requiring little material but a great deal of highly qualified precision work. This explains their average value per kilogram of Fr. 12.59, as opposed to a kilogram value of only Fr. 2.22 for exports to the Axis, on which obviously a much smaller percentage of work was done.

In actual fact, Switzerland supplied large quantities of iron ore to Germany, which was then returned to us in the more valuable form of iron and steel.

It may now be asked why, in spite of the passive nature of our trade with Germany, it was still necessary to grant this country clearing credits which rose successively to more than 800 million francs. The explanation of this, which is hinted at above, lies in the fact that our trade with Germany had perforce been passive for a number of years, since in order to balance accounts large annual payments were necessary for interest and amortization, licenses, annuities, tourist traffic and transit services. From 1933 to 1938 our imports and receipts from Germany exceeded our returns by over 1.2 milliard francs. Even during the war, Switzerland could not agree to the non-fulfilment of these obligations, and the deficit represented by the difference between Germany's payments in the form of supplies and the whole sums annually due to us had to be covered by the so-called clearing credits.

The export of electric energy, in so far as this could be maintained, was always related to the German coal deliveries, and if the two be expressed in calories, we again always received more than we gave.

Transit of Goods Through Germany

With regard to the transit of goods through Germany, our imports from Sweden may be mentioned as an example. From this country, with which we have culturally so much in common, we obtained goods weighing 520,000 tons and valued at 440 million francs between 1940 and 1944. These figures include particularly important steel and iron products required for our national defense. During the war years we imported more than 10,000 horses from the Axis countries and territories controlled by them.

What are the facts about the work done by Switzerland for Germany?

We had between 2.2 and 2.5 million persons in employment in this country during the war, including mobilized soldiers. To Germany alone we exported goods to the value of 2,500 million francs in the five years and eight months between Sept. 1, 1939 and April 30, 1945, an average therefore of approximately 443 million francs per year, while in the same period we imported to the value of about 529 million francs per year. In order to produce an annual export value of 443 million francs 40,000 to 60,000 workers are required, according to the type of goods. With a total of over 2 million Swiss in employment, it is clear that only 2 or at most 3% of these were working for Germany. This figure hardly represents more than 1% of the whole population. What significance has this number in comparison with the 500,000 Swiss working on the land to feed our people, the hundreds of thousands who were occupied on national defense in the army, in factories and in the building of fortifications, and the remaining million engaged in trade, industry, crafts, transport and administration, who saw to it that our country was able to pull through and obtain the necessities of life despite all the difficulties of supply?

It may be of interest to know what we obtained in the years under review from Germany and the German-occupied territories (Alsace-Lorraine, Austria, The Protectorate of Bohemia and Moravia, Belgium, Holland and Norway). I will limit myself to a few items:

Product—	Francs (in Millions)
Seed grain	5.3
Malt	12.7
Seed potatoes	17.6
Sugar	68.7
Potassium salts	34.4
Hides and leather	43.0
Textiles	84.7
Kaolin	33.2
Coal	804.2
Glass	8.3
Iron	411.1
Zinc	36.8
Chemicals	188.2
Liquid fuels	20.9

We based our trade with Germany systematically upon the principle of "do ut des," and we answered every delay in delivery by cutting down our own return supplies. It would be difficult to name any other country which, although exposed to overwhelming pressure, succeeded as we did in obtaining considerably more from Germany than was supplied to it in return. Not even the country which up to the summer of 1941 was Germany's greatest trade partner managed to do this.

Rail Credit Body Has Repaid 100%

E. G. Buckland, President of the Railroad Credit Corporation, announces that the corporation recently made a liquidating distribution of one-half of one per cent of the fund as of Oct. 31, 1946, amounting to $360,822.

Of this amount $359,170 was paid in cash and $1,652 was credited on the carriers' indebtedness to the corporation. This brought the total amount distributed to $73,329,458 or 100% of the original fund contributed by carriers participating in the Marshalling and Distributing Plan, 1931. Of this total, $44,565,022 has been returned in cash and $28,764,435 in credits. While this represents 100% of the principal amount contributed, it allows nothing to the participating carriers for the use of the contributed money for nearly 15 years.

Securities Salesman's Corner

By JOHN DUTTON

One salesman doesn't appear to be working hard, another is always on the go, yet the first one has an income from his business that is considerably larger than the second. The first salesman is calm and easy going, he calls his shots, thinks about what he is doing, wastes as little effort as possible, and has systematized his work. The second fellow expends a lot of WASTED energy, thrashes around in every direction at once, makes a big noise and doesn't get far when it comes to results.

The old saying PLAN YOUR WORK AND WORK YOUR PLAN is the answer. The salesman who knows how to think out a plan of action and then follows it through, has the advantage of methodically going through each month's work with a knowledge that maximum results will follow the effort expended. The man who trys to do everything at once, who has no plan and who is an opportunist, and works as the spirit moves him, oftentimes hits a streak of luck and achieves exceptional results for a while; but these cases are the exception not the rule.

To be specific, here are some illustrations of sound planning and good execution, as well as the opposite sort of procedure. Salesman A doesn't make ten calls a day every day in the week. He works consistently when he has something constructive to accomplish, BUT SOMETIMES HE DOESN'T MAKE MORE THAN A FEW TELEPHONE CALLS IN A DAY, OR TAKES SOME FRIEND TO LUNCH. The rest of the time he is THINKING. He has a smaller *number* of accounts than most other salesmen, BUT THEY ARE MUCH LARGER THAN AVERAGE, AND HE IS MUCH CLOSER TO THEM BOTH IN A SOCIAL AND BUSINESS WAY, THAN THE RELATIONSHIP WHICH EXISTS BETWEEN OTHER SALESMEN AND THEIR CUSTOMERS. He knows a great deal about each account on his books. He knows who buys for income and those who are interested in taking on a speculation once in a while. When he sells these customers a block of securities it means something — his earnings are high. With this salesman every move counts, and he reaps large rewards because he is doing the following necessary things which lead to success. (1) He prospects among people who can invest in substantial amounts — he doesn't waste time on the very small buyer. (2) He develops a solid relationship with each client. He creates a friendly atmosphere, which has as its foundation an understanding between the customer and himself so that BOTH know the larger objectives which the client is seeking regarding his investment affairs. (3) He spends much of his time creating contacts among people who can develop into new customers, or who will lead him to others. (4) He studies the needs of every customer and he knows his securities. He spends considerable time in reading and study because he knows that such time is not wasted but will lead to more productive accounts and increased business. (5) He doesn't try to sell a security until he knows why his customer should own it and then he hits the target. He doesn't waste his efforts shooting at clay pigeons.

Salesman B makes calls until his shoes get thin. He will sit for an hour talking with someone who couldn't buy enough securities to make him lunch money. He will call back again and again on the same unproductive prospects, or small accounts. He works hard physically but he thinks timidly. He hasn't learned the one big lesson and that is if you want to make big money you have to think in terms of big money. He has the makings of an excellent producer because he is patient and hard working — WHAT HE NEEDS IS SOMEONE TO MAKE HIM BELIEVE IN HIMSELF. He also needs to learn to organize his work. The law of averages will pull him through but he can make this same law of averages work for him much more effectively if he prospects better and thinks in terms of larger trades.

It is not so much the amount of physical effort that you expend that counts in this business, but how WELL YOU CAN AIM YOUR RIFLE.

The Challenge to Leadership

(Continued from page 2602)

or Congress to solve reconversion problems, that vote of confidence is not an overwhelming one. Nine per cent of the American public, in fact, think that business leaders have done the least among all groups to solve the problems of peace. The American people, in short, seem to be confused and waiting for leadership. The whole situation can perhaps best be described as "The Challenge to Leadership."

Where Is Leadership Coming From?

Now there can be little doubt that the American people will eventually get the leadership they are hoping for. The people will be served. But it becomes very important to you and to me and to the future of our country, just where that leadership is going to come from. In times of confusion there are always irresponsible men and women seeking to take advantage of the situation to further their own power and the power of their own social and political theories. They are professionally trained to organize the discontents and troubles of confused people.

To all of us who have faith in human freedom, this challenge to leadership becomes therefore a personal challenge—one which we cannot side-step.

Perhaps because I am a businessman, this challenge to leadership seems to me to be a challenge to business and industrial management. In my opinion, business and industrial management is going to have to provide the solution to the pressing problems of our times, and we had better start now to think straight about the challenge we must meet.

Let's begin by taking a trial balance of business and industrial management.

The role of management always calls for two qualities above everything else. For one, the manager must be realistic. He must be a practical man. What he does must add up.

But something else is equally important. He must be a man of vision. He must be going some place. He must have a goal, and others must be made to see his goal and share his eager desire to get there.

I would like here to take the position that business and industrial management in this country has been doing half of its job magnificiently well—the hard-headed half—and that it has been doing the other half not so well.

Why is it that the United States, with only 6% of the world's land area and only 6% of its people, has 60% of all the telephones, 35% of all the railroads of the world, and 80% of all the automobiles? Why is that we in this country produee 70% of the world's oil, 60% of wheat and cotton, 50% of the copper and pig iron and 40% of the coal and lead? Why is it that we in this country are able to afford 42% of the radios of the world and 54% of al lthe refrigerators? Why is it that we in this country enjoy a standard of living higher than any known anywhere else in the world?

The Standard of Living

As everyone of us knows, a standard of living is not a pocketful of dollar bills, pesos, pounds or rubles, but vast quantities of goods and services available to large numbers of people at low costs. A man with lots of money in his pocket, but living in a mud hut has a low standard of living. A man with a healthy, comfortable home and healthy, well-dressed children, has a high standard of living, no matter what his money income may be in dollars and cents or any other medium of exchange.

This standard of living of ours we owe to our national capacity to produce goods and services in large volume and at low cost. We owe it very largely to something we call mass production. We owe it to our conquest of the machine and also to our ability to organize ourselves and to manage the elaborate social organization which we have had to create while developing mass production.

I am not trying to give the credit for these amazing results to some small industrial group or to any particular business. On the contrary, the significant fact is that there are millions of competent business and industrial managers in this country who developed under our constitutional from of government. They are the product of the great force which distinguishes our nation from virtually all others—the scope of our human freedom. Millions of Americans, fired by opportunity and the chance to better themselves and their families, joined in a national "popularity contest" which we call Competition. Producing goods and services, with the ever-present goal of making better and better products at lower and lower costs so that more and more people could have them, they not only accomplished the miracle of our high standard of living, but also created the biggest pool of Management talent the world has ever seen.

This is such an important point that I would like to emphasize it. It is the prime weakness of the totalitarian-bureaucracy type of nation—where freedom to manage is the privilege of a few "infallible" minds at the top of the pyramid—that it does not provide the hard but rewarding experience at all levels which a nation needs if it is to be great.

Instead, it induces people to give up the source of their strength and to adopt the gross bureaucratic inefficiencies that are the inevitable fruits of Collectivism of all kinds wherever it is found.

The truth of the matter is that our greatest asset today is still that freedom which all of us have—our freedom to experiment and learn through our own mistakes in business just as a man can experiment and learn in the field of chemistry, physics or any other science. What the scientist calls an experiment, we call an enterprise.

And the surest way to stop the progress of our nation toward ever-higher standards of living is to limit the freedom of individual action, making it impossible for men to experiment freely in the world of business and industry.

A Profit and Loss System

What I have described as a system of Business Experimentation we sometimes call the Profit System in this country. To call it a Profit System is in many ways a great, and even cruel, joke. It is at best a Profit and Loss System.

Our so-called Profit System is supported at a great many points by nothing more than rank Optimism. If the human mind were not unconquerably hopeful—more attracted by the hope of rich rewards than repelled by the greater likelihood of heavy losses—business and industrial progress would never take place.

This willingness to take risks in the hope of improving one's future competitive position is present every day in hundreds of thousands of American business transactions—even in time of confusion such as we have had since the end of the war.

Let me give you an example.

When peace came a little more than a year ago, automobile manufacturers faced a gigantic problem. For four years they had been making, not passenger automobiles, but airplanes, tanks and guns. Automobile assembly lines had to be put back into shape. Restricted profits under war contracts had already been committed to improvements and expansion. Materials and supplies—when they could be had at all—were costing more than ever before. Large losses for 1946 seemed inevitable. Added to these problems was the desire of wage earners for increased pay to help them adjust their family budgets to shorter working hours.

It was a time when great risks —as carefully calculated as possible—had to be taken unless a manufacturer was to give up and throw in the sponge. But Americans do not "give up."

Ford Policy

At that time the Ford Motor Company told its employees the truth. Even without a wage increase, it said, there would probably be an operating loss of about \$35,000,000 during 1946. This was the best guess possible under the circumstances. If a wage increase was granted, it would mean a loss of an additional \$35,000,000. "But," said the company, "we have no alternative but to take this great gamble, and we are going to take it."

Here are the reasons the Company gave for taking this financial risk—and they are good, practical business reasons in a system of free competition:

1. "We can stay in production and keep men employed," said the Ford Motor Company.
2. "In prompt all-out production, we can sharpen our production skills and efficiency to meet and beat competition."
3. "We may help to break the log-jam of postwar mass production"—which was then pretty much at a standstill.
4. "By bringing the supply of new cars up to demand, we can do our share in halting inflation."

Now all of those reasons can be added up to this: The Ford Motor Company gambled millions of dollars because it hoped in so doing to get in there ahead of competition with the best production team in the industry — a production team that could do its part to pull the Company out of any financial hole the Company was forced to get itself into.

And the Company did get itself into a hole, as it expected to. When Management told its employees last December that it would have to lose, after the proposed wage increases, something like \$65,000,000 in 1946, it wasn't fooling.

Actually the Ford Motor Company during the first thee quarters of this year lost \$51,600,000, despite two price increases granted the company, one in March and

one in May. There was a third price increase late in September which had little effect on these results. This loss of $51,600,000 was before possible tax rebates, because the amount of tax carry back cannot be determined accurately until the results of the full year's operations are known. Had this loss represented the full year's operating results, the tax carry back would have reduced such loss to $32,900,000.

Of course, we have had to defer large expenditures for much needed manufacturing improvements. Of course, we have had to postpone the expenditure of $50,000,000 that we would like to invest in added research and engineering facilities. And, of course, we are going to have to earn back these losses before we can do a great many things that we would like to do—things like retirement plans and plans for more stabilized employment.

But we at the Ford Motor Company have faith in the future of America and in the opportunities in a keenly competitive system. And with the co-operation of our employees, that faith will be justified.

Business Losses and Declining Profits

This subject of profit and loss interested me recently, and I asked for some statistical information. What percentage of private enterprises succeed—that is to say, make profits more often and to a greater extent than they take losses, and thus manage to survive for a considerable period? What is the average profit of corporations?

Here are some of the answers I got:

In only 4 of the 15 years preceding World War II were there more "*active* corporations" reporting a net *income* than reporting a net *deficit*. During those 15 years 58% of corporate profit and loss statements were not profit statements at all, but *loss* statements.

In Dun's Review for June 1946, an article on "Business Success—What are the Odds?" reports that the fatality of business concerns in this country approximates 12% to 15% per annum. This calculation is confirmed by U. S. Department of Commerce data. A fatality of 400,000 to 500,000 enterprises of all types (not simply corporations) is found to be characteristic of the American scene.

It has been demonstrated that people who have no direct connection with the management of enterprises have an exaggerated notion of how much money companies make. Studies indicate that people frequently suppose that corporations make profits of 30%, and even more, as a regular thing. It is probably for this reason that many workers believe that vast increases in payroll can be taken out of profits without the necessity of any increase in prices.

The fact of the matter is that in 1917 net income, after taxes, for all corporations in this country was 9.4%. In 1943, when some people supposed American industry was making huge profits, the profit margin of all corporations in this country was 4.8% or about half what it was in 1917. In the 15 years from 1925 to 1940, all *manufacturing* corporations combined, earned only 3.3% on their invested capital, and only 3.2% on their gross income. In only one single year during that entire period were profits greater than 6% on capital investment and that was in 1929 when the rate was 6.6%. In that same year, profit was 5.5% of gross income.

It is also generally assumed, I think, that Big Companies make Big Profits. All the statistics show that this is not true. It is the small corporations which show the biggest profits, as measured either by return on sales or capital. Take corporations which in 1939, just prior to the war, showed a profit. Of these, corporations with total assets under $50,000 showed earnings, after taxes, amounting to 11.8% on their net worth. Consistently, the higher up the scale you go in size, the smaller the earnings. The big companies—those with total assets of $50,000,000 or more, earned, after taxes, 4.7% on their net worth.

Remember, I have been discussing only corporations which *had* net income in that year. I have not taken into account those which had losses. If we consider *all* corporations for that year, we find that those with total assets of $50,000,000 or more showed a net profit of only 3.1% on their net worth—and 1939 was a good year. These supposedly prosperous Big Companies may have more stability and may earn more steadily, but they do not have large profits.

The Profit and Loss System is, by its very nature, experimental, and, therefore, uncertain. The free enterpriser, big or small, sets out to discover whether he can make some article for less, sell it for less, make it better, and gain the rewards of public service. The extent of the risk will be apparent from any reading of business statistics. There is no social security for the free enterpriser and no guaranteed annual income. But from his enterprise, his optimism, his competition, have come most of the great advances which have made the masses of people of this nation incomparably well-off.

Credit Due American Business Leadership

I think the record is clear and that business and industrial leadership, and I mean management at all levels—from the assistant-foreman to the president—is entitled to great credit for magnificent achievements. It is entitled to much more. The vast and intricate organization which it has been necessary to create in order to support mass production and mass distribution, has required a huge educational program and the development of a technical force in this country which is the marvel of the modern world. We have an asset in our engineers, tool designers, cost accountants, manufacturing experts, transportation specialists, financiers, administrators, salesmen and technicians generally, which no other nation can match.

But now let's turn to the second half of our equation—the field of *vision*.

I think that our real problem lies there. We read in the 28th Chapter of Proverbs, "Where there is no Vision, the people perish."

Consider for a moment what has happened in this country since the turn of the century.

Production has been vastly increased. The wealth of the individual has grown tremendously. And enterprises have grown larger as mass production and mass distribution have expanded. What once would have been considered a Big Business might today be considered only a middle sized business. In 1914, the 3,819 manufacturing establishments doing a million-dollar business, did 48.6% of the manufacturing business of the nation. In 1939 there were 9,574 in this class and they did 67.4% of the manufacturing business—more in number, and a smaller share of the total for each. To achieve the goal of more goods and services at lower costs, we have turned to larger-and-larger-scale operations. Single organizations have a hundred thousand employees and sometimes more.

Mass Production and Bigness

Now, this is very far from the bad thing that some people would like to make it seem. The simple truth is that we cannot have mass production without bigness. And bigness is always relative. You will find that many of the greatly-enlarged enterprises of today are actually smaller in relation to the total production of the nation, or the total production in their field, than they were a quarter a century ago. Furthermore, "big companies" and "little companies" depend upon each other in our economy. Mass production organizations are the market places for thousands of supplying organizations which, in turn, depend upon suppliers of their own.

But that is not to say that no change has taken place. Something has happened—and there's where our problem lies. There is where our challenge lies.

When an enterprise is small, all who work for it have an opportunity to become infected by the enthusiasm and purpose of the man or woman who starts it. The aims and policies of the undertaking are clear. The trials and tribulations and uncertainties of the venture are everywhere evident, and the men and women who work for it can share the excitement of the struggle. They know what the enterprise is trying to do and how it is doing.

When an enterprise gets big, that contact with the leadership of the venture is lost. Men and women become part of a working force which has no meaning or direction for them. It becomes simply a way of earning a living. They lose that sense of fulfillment which men and women need in the work they are doing. On the contrary, they begin to find their real life outside of their work.

Bigness Creates Unsolved Problems

I do not say that this is universal. On the contrary, there are many instances where leadership has been equal to the task created by Bigness. But the fact remains that Bigness created a problem, and it is one which business and industrial management has not yet fully solved. And it must be solved if we are to continue to enjoy the benefits of mass production and mass distribution in a free economy.

During the war, regardless of his job or the size of the business, everyone had a common objective. The rest of the world was amazed at the flow of planes, tanks, guns and other war materials from our factories and food from our farms. Any study of human beings, whether they are wage earners or executives will show that one of the primary needs of men-at-work is a purpose which they consider worthy of their best efforts. Studies of wage earners indicate that they want to be treated like human beings. Are we to marvel at this discovery? They want consideration. Is that strange? Far from it. But both observations are a reminder that business and industrial management have the problem of bringing into focus in great organizations, that competitive urge—that sense of a goal worth achieving—that belief in objectives which can only come when the objectives are fully known, understood, and respected.

In the transition from smaller business to bigger business, industrial management lost touch with people. Organized labor stepped into the gap. Organized labor has done a great deal to achieve economic and other tangible advantages for the wage earner. But what organized labor did, perhaps more than anything else, was to give the worker a new focus, a new purpose, a new cause. Organized labor is not simply an economic thing—it is a social thing. Men and women are often proud of their unions and take comfort in the vision of better things which they see in the programs and purposes of their unions.

That, in my opinion, is a key and a significant fact.

Perhaps, then, as business and industrial management picks up the modern challenge to leadership, these are some of the things we should have in mind:

1. There is too much isolation in our business and industrial managements today. The men of management are so burdened with other responsibilities that they lose touch with the thinking of the men and women who are so essential a part of any project the managers may design and plan. I am not suggesting any kind of fraternizing program that would bring together any groups of men who may not have interests to share. But I am suggesting that in the future we must develop our business and industrial managements with an eye to the ability of our top men to understand thoroughly the men who are to work under their leadership. We cannot have an "officer caste" in our industry. We can't have Brass Hat-ism.

I suggest next that we drop the word Management from our thinking and substitute for it a more dynamic word—Leadership. Management is a "sit-down" word. It suggests a glass door marked "Private." Leadership is a word suggesting enterprise, courage, vigor. It suggests a program and a purpose. It suggests a captain and a team. What is more, it suggests followers. One trouble with management today is that it has lost sight of its function to lead—to inspire—to draw men and women after it toward great goals. Too often, management has no followers among its workers.

3. If government is going to have an important role in this country, it is up to businessmen to spend more time working with people at all levels in government. If you and I want to make a contribution to the maintenance of our competitive Profit and Loss System, I suggest each of us give 5% of his time during the next 12 months to hard, intelligent, constructive work with government people—not as opponents of proposals, but as honest, experienced, well-informed citizens who want to make a contribution to the public welfare. One reason this country, during the past dozen years, has tried many costly ideas which simply couldn't work, is that there were far more non-businessmen with ideas talking to government people at all levels than there were businessmen.

4. Finally, let's remember the importance of Vision—of having goals—of making our great and interesting objectives clear. I think I cannot summarize all of this better than by saying—

To meet the challenge of mass production and mass distribution through mass organizations, we must develop mass leadership. The real problem which we face is to make the Free Enterprise System fit the new needs which have been created by its own magnificent growth. What is needed is some modernizing—and the men who, for my money, can do the best job of modernizing it are the men who helped to build it in the first place. And the American people expect us to do it.

Result of Treasury Bill Offering

The Secretary of the Treasury announced on Nov. 18 that the tenders for $1,300,000,000 or thereabout of 91-day Treasury bills to be dated Nov. 21 and to mature Feb. 20, which were offered on Nov. 15, were opened at the Federal Reserve Banks, on Nov. 18.

Total applied for $1,826,794,000.

Total accepted, $1,313,661,000 (includes $33,810,000 entered on a fixed price basis at 99.905 and accepted in full).

Average price, 99.905+; equivalent rate of discount approximately 0.376% per annum.

Range of accepted competitive bids:

High, 99.907, equivalent rate of discount approximately 0.368% per annum.

Low, 99,905; equivalent rate of discount approximately 0.376% per annum.

70% of the amount bid for at the low price was accepted.

There was a maturity of a similar issue of bills on Nov. 21 in the amount of $1,308,357,000.

Trade Potentialities in Far East

(Continued from page 2614)

treaties with China and Japan were framed largely with American business in mind. After the Spanish-American War and our assumption of territorial responsibilities in the Pacific, notably in the Philippines, political and strategic factors gained weight but on into the 20th Century commercial and cultural considerations were still to the fore in shaping our policies toward the Far East. Our enunciation of the Open Door and our insistence on non-discriminatory and most favored nation treatment were motivated largely by a desire to promote American business and expand international trade relations.

In his radio address last month Secretary Byrnes gave voice to traditional American trade policy in the following words:

"The United States has never claimed the right to dictate to other countries how they should manage their own trade and commerce. We have simply urged in the interest of all peoples that no country should make trade discriminations in its relations with other countries."

By 1936 our foreign trade or business with the Far East was valued at close to one billion dollars. In the 20-year period from 1915-35 the Far East's share of our total exports increased from 5% to 16%. In 1936 our total direct investments in the Far East amounted to roughly $335,000,000.

Our Role in Far East

In making this brief sketch, I have in mind a recent tendency toward making an unbalanced viewpoint of our role in the Far East. Political and military considerations, as important as they are, seem to me to occupy a disproportionate share of present public attention. It is accepted that an ill-important objective of our policies is to provide for the security of the United States and the maintenance of international peace, but I think we also have another objective of equal importance: that is, to bring about in the relations between ourselves and other states mutually beneficial commercial and cultural exchanges which will promote international welfare and understanding.

These are inter-related objectives. I feel strongly that we cannot be successful in achieving the kind of security we want, or in maintaining the kind of peace we want, unless we take an active and leading part in international commercial and cultural life. I will go further and say that a strong element in our security, and in the maintenance of peace, will be the development of commercial and cultural ties with other peoples.

At the same time, it is my conviction that a strong national defense is essential to the pursuit of our broader objective of developing commercial and cultural relations. We must be equal to the task of encouraging and supporting democracy and progress. There may be times and occasions when, in the short view, it will seem advantageous to our security to throw our weight or influence on the side of the status quo; on the side of those forces calculated to bring about immediate or early stability. But history, I believe, will show that strength lies on the side of progress.

In Chicago last April the President said:

"In the Far East, as elsewhere, we shall encourage the growth and the spread of democracy and civil liberties . . . The roots of democracy, however, will not draw much nourishment in any nation from a soil of poverty and economic distress. It is a part of our strategy of peace, therefore, to assist in the rehabilitation and development of the Far Eastern countries."

Conditions in Far East Uninviting

Today we are faced with the problem of a return of American business to the Far East under conditions which are, to state it mildly, uninviting. Japan is a defeated country whose economy must perforce remain under Allied control for some time to come. Korea is a liberated country split in half at parallel 38 between us and the Russians. In China internal strife seriously retards steps toward economic recovery. In the independent Philippine Republic we are faced with a new situation, to which we must adjust ourselves. In Indo-China and Indonesia a return to normal trade conditions awaits a solution of problems presented by the self-governing aspirations of the peoples in those countries. In Siam—well, Siamese in Washington tell me that they will be glad to do business with any or all of you who will show an interest in their country.

But the overall picture is not encouraging and it is not my intention to dress it up in attractive colors. In the brief time allotted me I want to say something of what we are doing in the various areas of the Far East, to brighten the outlook.

General MacArthur has demilitarized Japan but it is impossible to proceed with plans for postwar Japanese economy until some decision is reached with regard to the amount and types of industry that Japan will be allowed to retain and the amount that is subject to removal as reparations. We have reason to hope that a decision on the problem of reparations will be reached before the end of this year. Our main purpose shall be to achieve a healthy balance in Far Eastern economy for the benefit of commerce in the Far East and at the same time to insure the effective industrial disarmament of Japan.

As you know, Japanese overseas trade is controlled on a government-to-government basis. An Inter-Allied Trade Board for Japan was recently established by the Far Eastern Commission at the request of the United States. Its purpose is to advise on the disposition of Japanese exports and on sources of imports.

Among the present obstacles to a change-over to private trading are an inflated and unstable currency and the inadequacy of transport and communications facilities. Although it is not possible to say how soon these obstacles can be overcome, I might hazard the guess that a resumption of private trade with Japan will be possible some time during the latter half of next year, possibly sooner.

Korean Situation

In Korea, we are now estopped from putting into operation an over-all economic plan by the inability of the Russians and ourselves to reach agreement on a unified administration for the country. We want a united Korea and we want to assist the Koreans toward self-government and independence. But while we continue our efforts to bring about a resumption of discussions in the Joint Soviet-American Commission, we cannot mark time. Therefore, we are taking measures to improve economic conditions in southern Korea and to bring Koreans more and more directly into the administration of their country. In doing so, however, we do not lose sight of the fact that a united self-governing Korea is the goal we are determined to achieve.

From what I have said it will be apparent to you why private trading in Korea is not now feasible. But the development of a healthy trade relationship between Korea and Allied nations is our aim, and consideration is now being given to measures which may soon make possible limited trade relations between Korea and private business concerns. We hope that American business will take an active interest in Korea.

The Philippines

Foremost among the problems facing the Philippines is reconstruction. Congress has approved two measures: the "Philippine Rehabilitation Act" and the "Philippine Trade Act of 1946."

The "Rehabilitation Act" authorizes a grant of $620,000,000 for the payment of war-claims of private property holders, for various rehabilitation and training projects, and for purchase of surplus property. In addition, Congress has authorized a loan of $75,000,000 to the Philippine Government to enable it to meet a serious budgetary situation.

The "Philippine Trade Act" provides that the Philippines shall continue to enjoy free trade with this country for a period of eight years, after which a graduated tariff will apply until full duties are levied at the end of 20 years.

We expect to cooperate with the new Republic in meeting the manifold problems facing it as an independent state. It may be anticipated that, with a return to more normal conditions, the Philippines will again represent a substantial and expanding market for American products.

From the standpoint of business, the areas of Southeast Asia have been of interest to the United States primarily as a source of supply for such products as rubber, tin and petroleum. Because of our large purchases of these items our pre-war trade was in a chronic state of imbalance, our sales in most years being only about one-tenth of our purchases.

You may recall a recent statement by the Under Secretary of State for Economic Affairs, Mr. Will Clayton, to the effect that the United States should give greater support to foreign investments of its nationals in strategic minerals that are in short supply. This statement has a special application to the countries of Southeast Asia, and the Far East generally, as sources of supply of a number of strategic and critical materials. Investment along the lines proposed by Mr. Clayton should have the effect of increasing the importation of American materials into the areas concerned.

Relations With China

Last but far from least we have China.

We have signed with China a comprehensive "Treaty of Friendship, Commerce and Navigation." Most favored nation treatment is provided for individuals and corporations.

The Treaty is somewhat broader in scope than existing United States commercial treaties in a number of respects. For instance, Article 19 provides for fair and equitable treatment as regards the application of exchange controls and Article 20 embodies certain commitments with regard to monopolies. It is designed to meet the needs of present-day commercial relations with China.

China is expected to collaborate in the establishment of the proposed International Trade Organization and is one of the "nuclear" countries which have agreed to negotiate for the reduction of trade barriers. China will also be urged to enter into other multilateral economic conventions having as their objectives a promotion of international trade and the solution of international commercial problems through consultation and collaboration. Constant effort is being made to discourage other countries, including China, from adopting temporary measures in the fields of tariffs, trade barriers, and other domestic legislation of a type which might jeopardize the successful attainment of this long-range economic collaboration.

Restoration of stability and direction in Chinese economy is retarded by the unhappy-politico-military situation. The press, I feel, has made abundantly clear to you the ups and downs of General Marshall's mission. The National Assembly is scheduled to meet in Nanking today for the purpose of considering a constitution and reaching certain political decisions in regard to government organization. General Marshall hopes and so do we that wise counsels — the wisdom of China —will prevent the disaster of continued civil discord. Chinese economy and the Chinese people are already suffering acutely from the ravages of 8 years of Japanese aggression and occupation. They cannot stand much more adversity.

Premier Soong has been reported recently as stating that upwards of 80% of China's expenditures are diverted to military purposes. Because of the wide gap between revenues and expenditures China has had to resort to large note issues with the inevitable result of accelerating inflation and a progressive rise in prices. The foreign exchange that might normally be expected to accrue from exports has been negligible in the relation to outgo for imports. Consequently China's current balance of payments position has continued to deteriorate.

The exchange and foreign trade regulations adopted by China, UNRRA's relief and rehabilitation program, and surplus sales and enemy property disposals are only temporary palliatives. The Chinese must resolve the present political impasse before any substantial improvement can be expected in China's economic situation.

In this connection I think it worthwhile to mention what I feel has been in some quarters a misinterpretation of General Marshall's mission as being solely political in its objectives. Chinese economy is in a vicious circle. General Marshall is fully aware of this state of affairs and it has been his purpose to encourage the Chinese to break the vicious circle by reaching a political settlement that would result in a cessation of civil strife and make possible a revival of economic activity. Sooner or later this must be done, and be done by the Chinese. Military measures will not accomplish an enduring settlement. That is why General Marshall has advocated with such persistency settlement by the democratic method of negotiation and agreement.

Potentialities of Expanded Trade Exist

In making this brief sketch of current conditions in the Far East I cannot be accused of optimism. But I do think the potentialities of an expanding American business with the Far East exist and can be developed if we go about it in the right way. This brings me to a thought which I would like to express and emphasize. When I use the term "American business" I have in mind all American business irrespective of whether it has a private, semi-official, or official character. I do not believe that we can have one standard for private business and another standard for official business.

A recent editorial in the New York "Times" states that our government should base a loan policy upon the important principle "that loans are not gifts, and that any country applying for a loan must furnish, like any prospective private borrower, convincing proof that by virtue of its political, economic and trade policies it is a good credit risk."

Generally speaking, what is unsound for private capital is unsound for government capital; that is, for the taxpayers' money. I believe it is unsound to invest private or public capital in countries where there is wide-spread corruption in business and official circles, where a government is wasting its substance on excessive armament, where the threat or fact of civil war exists, where tendencies toward government monopolization exclude American business, or where undemocratic concepts of government are controlling.

In expressing the foregoing views, I do not of course ignore the advantages of cooperation between government finance and private trade or the fact that there are fields for the investment of government capital into which it is not feasible or attractive for private capital to venture. I have in mind large-range and long-term projects which are basic in character and are fundamentally sound from the standpoint of the economy of the country.

Assistant Secretary of State Spruille Braden stated some weeks ago in Chicago that "the purpose of lending should be to create a net increment to the economy of a borrowing country. Therefore," he went on to say, "loans should not be made if they enable another government to acquire or displace existing efficient free enterprises, whether they be American in ownership or not."

In stressing the economic and trade features of our position in the Far East, I do not wish to give the impression that I am overlooking other factors. In this complicated world in which we are living we must give full consideration to the inter-relation of the political, cultural, economic, and security factors in our foreign policy. For our policy to be effective there must be harmony among all these factors — the teamwork we find in a good basketball team or a fine string quartet.

The President, in establishing the "Committee for Financing Foreign Trade," said: ". . . I am anxious that there shall be fullest cooperation between governmental agencies and private industry and finance. Our common aim is return of our foreign commerce and investments to private channels as soon as possible."

I do not look upon this statement as a simple enunciation — or renunciation. It is a recognition of and a challenge to American business. I am in Washington to do my part in carrying out the cooperation of which the President speaks. Please call on me if I can be of help to you in meeting the challenge.

Stock of New Plastic Corp. Offered to Public

A new issue of 30,000 shares of 60 cent cumulative convertible preferred stock (par $2.25) of New Plastic Corp. was publicly offered Nov. 18 by Grimm & Co., New York. The stock was priced at $9.75 per share. Proceeds will be used to purchase new equipment, pay amounts due under conditional sales contracts and effect additions to and alterations of existing tools and equipment. The balance will be used for working capital and the elimination of certain existing bank obligations.

The company was organized in Delaware Sept. 16, 1946 as successor to a California corporation of the same name originally incorporated in May, 1940. Company is engaged in the development, manufacture and fabrication of plastic and chemical products. Unfilled orders on hand aggregate approximately $600,000.

Inflationary Experiences in France-the Effects on Business

(Continued from first page)

has the nature of a rent in the economic sense.

France's Historical Experiences

There are many illustrations of the preceding theory in the economic history of France. The most outstanding have been the experience of Law, the so called "assignats," and that which followed World War I.

Although it is more than two hundred years ago, the experience of Law, which seems to have been the first notable attempt to introduce the use of banknotes in the western world, remains in the memories of many people. The dramatic financial ruin of many individuals, which coincided with the breakdown of the system in 1720, did not overshadow the unprecedented business prosperity experienced during the four previous years. The contemporary chroniclers, in spite of their severity toward Law, do not try to conceal the great wealth increase which France enjoyed as a result of his experiment.

The experience of the "assignats" (State fiat money) took place between 1789 and 1797, in the midst of great political upheavals as well as internal and external wars. France emerged in a very impoverished condition. But business was relatively spared. It seems, even, that the profits realized during this period constituted the financial basis for its development during the next century.

Lastly, the ten years which followed World War I were a period of exceptional business prosperity in France. To the existence of unsatisfied needs in all quarters, which is a natural cause of inflation after wars, were added in the legislative field a series of other no less important inflationary factors. A law of 1919 charged the State for the cost of repairing most of the private property which was damaged during the war. The government's budget deficit continued until 1926. Finally, the purchase of foreign currency effected since July 1926 by the Treasury and the Bank of France, following the Gold Exchange Standard practice, brought about a large expansion of the money supply. Inflation and the corresponding rise in prices would have been much greater if the traditional prudence of French concerns had not prevented them from distributing most of the profits which they had carried during this period.

Thus, by practical rather than theoretical experience, inflation became closely linked with business prosperity in the minds of French people. Consequently deflation, the effects of which were felt in the 30's, has become unpopular. It is by qualifying them as deflationary that certain influential circles at the end of 1944 prevented the enforcement of certain measures, such as the blocking of banknotes, which were necessary to stem the progress of the existing inflation. This inflationary process, which has lasted six years, presents so many new aspects that one may wonder whether it will bring similar favorable consequences for business as the previous inflations.

The Current Inflation

The current inflation began when the country was occupied by enemy troops. It is a known fact that, for the alleged purpose of meeting occupation expenses, France had to pay during four years a war contribution fixed first at 400 million francs, later at 500 million and finally at 1,000 million francs daily, which absorbed more than a third of her pre-war national income. This levy was all the more burdensome as the capacity of production was then impaired by the absence of over a million men kept as prisoners of war, by the cessation of overseas imports, and by destruction resulting from bombing and other war operations. Further, in order to participate in the Allied war effort, France assumed military expenses, which, particularly after the liberation of the metropolitan territory, increased considerably. No more than in any of the other belligerent countries was it possible to meet, with the normal budgetary resources, the exceptional expenses due to war. The budget deficit continuously grew until the end of hostilities, and still exists in spite of the corrective measures taken in January 1946.

Contrary to the policy followed during the first world war, the government refrained until the end of 1944 from long-term borrowing. The budget deficit was met principally by issuing Treasury bills and additionally by borrowing from the Central Bank. To the extent that the Treasury bills were bought or repurchased by the main deposit houses and other banks, there resulted an increase in the amount of the demand indebtedness of the bank system, that is to say, in the amount of money in circulation. The increase of available money brought a reduction in the long-term as well as the short-term rates of interest, the existence of which was utilized to refund the stock and thus lighten the weight of the public debt. The lowness of the interest rate would even more have diverted the savings from monetary toward real assets and thus caused a greater rise in the price of the latter if administrative and fiscal measures had not limited their yield and if political circumstances had not rendered precarious even the control of the owners.

As had been noted in the first world war and more recently in the Spanish Civil War, it was after the end of hostilities that the pressure on price levels was most acutely felt. Several forces which during the war contributed to moderate the effective demand, as well in the sphere of consumption as in that of investment, eventually ceased to play their part. One of the principal of these, as far as consumption expenses were concerned, was the non-utilization of numerous incomes due, for instance, to the absence of their owners, to the interruption of international relations, or to various administrative blocking measures, notably the law which prohibited the distribution of corporation profits beyond a certain limit. As for investments, they had not only been discontinued but had even given place to rapid disinvestment. The country largely lived on its capital, using its reserves of raw materials and manufactured products, allowing the soil to impoverish itself and both agricultural and industrial equipment wear out from lack of upkeep and renovation. Yet, disinvestment has limits. When the time came to replace equipment, the productive capacity was so enfeebled that it could not meet the increase of effective demand inherent in the resumption of investment. Prices and the wage level then climbed steeply.

During this critical period the economic aid extended by the Allies will prove to have been particularly valuable to France. The loan granted to her by the Export Import Bank and that being considered by the International Bank appear notably as decisive factors toward the rapid restoration of her productive capacity.

Administrative Controls

What in France as in other countries has given the current inflation an original aspect are the efforts of the Administration to deprive entrepreneurs of the exceptional scarcity profits which the difference between the effective demand and the capacity of production would normally have permitted them to earn. Apart from levying taxes upon these profits, with the experience inherited from the first World War, the Administration attempted to dam their source by limiting the demand and by controlling the prices. As early as 1940 they resorted to the now classic ways to diminish the demand: rationing of essential commodities, administrative distribution of other products, prohibition of superfluous consumption. As for the control of prices, it was aimed at eliminating all increase in sales prices not justified by a lawful increase in costs, that is to say mainly by an authorized increase in wages.

If these measures have been less efficient in France than in other countries, it is due firstly to the important place held by small concerns. The small entrepreneur, indeed, is still common not only in agriculture, where he is the majority, but also in industry where artisan production is far from being negligible. While the multiplicity of concerns increases the difficulty of control, the absence of bookkeeping in a large number, or its inadequacy when it exists, deprives the Administration of its principal weapon. This accounts for the fact that, outside of big and medium-sized concerns, the regulation of prices has not always been rigorously observed.

Furthermore, the country was prompt to realize, after the invasion, that rationing measures and control of prices principally benefited the forces of occupation by permitting a better use of the fixed contribution paid to them as occupation expenses. The unpopularity of these measures was thereby increased and resistance to their application assumed political significance. It was not an easy task, after the liberation of the territory, to upset habits which were more than four years old. For the Administration even the limiting of profits has become a hard task. Faced with a large demand, entrepreneurs are well-placed to discuss the fixing of official prices. Most of them are all the more eager to defend their profit margin because they suffered losses during the preceding years.

The Causes of Losses

These losses proceeded principally from two sources. The first was the rise in prices which took place during the time which elapsed between the depreciation or consumption of capital goods and their replacement. Together with the disinvestment which went on since 1940, monetary assets, that is demand and short-term debts, progressively replaced in the balance sheet of concerns the real values which formerly appeared, such as inventories or equipment. The proportion of liquid assets grew gradually and in 1944 it had reached high figures. However, the consumption of stocks and the depreciation of equipment were computed, as a rule, at their original cost. The cost of replacement, when it could be taken into account, was necessarily based upon official prices, and consequently lost much of its significance. When, at the end of the war, entrepreneurs began to reconstruct their equipment and inventories, both wages and prices had greatly risen. Therefore, the actual cost of this reconstruction proved to be higher than the reserves built up to pay for it. In fact, the working capital had partially or even totally disappeared and in order to reconstitute it many concerns were obliged to increase their capital or to borrow. In the latter case, the rise in prices which is presently going on tends, it is true, to lighten their burden and to compensate them partially for past losses.

Non-Adjustment to Occupation Conditions

A second cause of losses for many French concerns, especially for the most important of them, has been their reluctance to adapt themselves to the economic conditions of the period of occupation. Since the invasion of the country in June 1940, the maintaining of productive activity has met a series of obstacles different in nature. Some of the concerns, which depended upon foreign orders, have seen their markets close. Most of them, on the contrary, did not lack outlets but rather one or several of the resources indispensable for production. The absence of part of the specialized manpower, which was prisoner in Germany, was a first and serious hindrance to many manufactures. The dislocation of the transport system in 1944 held up the supplies of raw materials and paralyzed industry almost completely. Certain bottlenecks still exist, especially coal which affects almost all production, and iron and cement, which are derived from it. The immediate pecuniary interest of entrepreneurs would have required that they adapt their activities to the new conditions or that they discharge the workers who, due to the circumstances, could not be employed profitably. In fact, most French entrepreneurs adopted the opposite attitude, avoiding as long as possible any change in their production, and striving to keep employed not only their administrative and technical staff but all their other workers. Many of them did not want to risk helping the enemy war effort by changing their production or, by dismissing their personnel, to furnish a pretext for their transfer to Germany. Almost all, moreover, wished to preserve their productive capacity as fully as possible with a view to the future resumption of normal activity. Whatever may have been the motives of such a policy, it tended to maintain the overhead charges and even the working expenses at levels close to those of the prewar, when receipts were falling at the same time as production. The year following the liberation was particularly burdensome in this respect and cost several important concerns, especially metallurgical ones, a large part of the reserves built before the war. It is true that these concerns are today reaping the benefit from past sacrifices. Employing their former personnel makes it easier for them to resume a normal activity. But it emphasizes at the same time the obstacle put in the way of recovery by the persistency of certain bottlenecks.

Current Improvement

Thus, for various reasons, French business has suffered losses during the war years. At the present time, in spite of the administrative price control, it is generally earning profits, though to a variable extent according to the different branches of production. Indeed, except for a greater price increase in France, the conditions under which it operates, do not differ essentially from those which are prevailing in the United States. And it does not seem that such conditions prevented American business from making profits. If by a steady budgetary effort the inflation now existing in France is gradually reduced, one may expect the results of this inflation to be relatively favorable to business and thus, despite circumstances, the theory to be once more confirmed. After all, it is by increasing business profits that inflation stirs up the economic forces capable of reabsorbing it. Profit margins are as a matter of fact the inducement for entrepreneurs, at least for entrepreneurs not enjoying monopoly, to develop their production as long as it remains below the demand. Socially and politically, inflation, which injures the lower class of the population, is a deplorable evil; the injustices which it involves should be compensated. Economically it is also an evil. Even if it remains moderate, it distorts the expectation of the markets and promotes undesirable investments which may be a factor of crisis in the future. However, as it carries its own remedy, its consequences are perhaps less serious than those of deflation, which is chronic by its very nature and is not self-correcting.

World Oil Outlook

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surance as to the final result. The weavers, in clamorous voices, disclaim any evil intent. They proclaim their only purpose is to produce peace and prosperity. But the nature of the pattern which they are following has its origin in the collectivism and managed economy of the supreme, all-powerful State. The product of their handiwork will possess in time the characteristics of this pattern, unless a new approach is taken before the threads are woven together.

The State in Foreign Trade

Underlying the current multitude of proposals in behalf of so-called international economic collaboration is the concept that foreign trade no longer can be left to the enterprise of individuals but must be controlled and directed by governments as instruments of national policy.

There is nothing new or progressive about this idea. It is a revival of the reactionary mercantilism of the 18th Century—the system under which the kings of that time and their nobles sought to impose monopolistic restraints of trade upon the world.

Our American Revolution was fought to throw off the shackles of mercantilism. Inspired by that success, the European nations, too, turned loose the initiative of men and in the 19th Century they recorded their greatest economic progress.

But out of Germany came a movement back to the principles of mercantilism. It was a movement fashioned in the diabolical brain of Karl Marx and given form and force by Bismarck. Its aim was control by the all-powerful State over the economic affairs of men through cartels, government trading, edicts and directives. Soon men's political and personal activities became the object of the State's control until it culminated in the National Socialism of Adolf Hitler.

This virus spread beyond the borders of Germany. For 25 years and more the germs of economic collectivism or Socialism have been fermenting throughout the whole world. Governments have exerted pressures, in varying degrees, to fetter the free functioning of markets and to restrict the activities and opportunities of men.

Russia, Germany and Italy succumbed to absolute Statism or totalitarianism in which individual freedom for all practical purposes was extinguished. In England much of the collectivist philosophy of pre-Nazi Germany has become imbedded. In other European countries, in the Far East, in Latin America, the trend has been toward State corporations, cartels, both private and governmental, monetary manipulation, subsidies, unduly high tariffs, import quotas, bartering and governments trading with other governments.

Our United States, too, has been afflicted with this bureaucratic power over the economic activities of people, with its lessening of competition and constant restriction of individual freedom. Excursion into collectivism in recent years have been frequent. While we have traveled a long way down the road toward the compulsory state, there is still time to return to the faith of our Founding Fathers.

For 150 years our country was a land of opportunity for all persons to achieve the rewards of their initiative, ingenuity, skill and industry. We had a system which created and multiplied wealth through encouraging men to exercise their initiative. Here, as a result, for the first and only time in history, an overwhelming majority of a great mass of people enjoyed decent standards of living. Only during the last two decades has our economy been weakened by the introduction of collectivist philosophy.

Now we are told that the economy which produced this standard of living for the American people must be abandoned—that we must embrace economic collectivism. This, it is said, we must do in order that we may live in harmony and prosperity with nations that have chosen the collectivist course.

United Nations Proposals

Such is the primary justification offered for the multitude of proposals now being projected under the auspices of the United Nations Organization. These are the threads now being woven into the fabric that may become a strait-jacket of government control for our American domestic economy as well as world trade. Each of these United Nations proposals should be studied in its relation to the other, for under the master plan it is intended that they should be coordinated under the UN Economic and Social Council.

Thus we find in the current proposals before the Food and Agricultural Organization of the United Nations declarations calling for international control of the production and marketing of basic foods and the "stabilization" of agricultural prices by fixing both maximum ceilings and minimum floors.

Presumably this is to be accomplished through a network of inter-governmental commodity cartels. Provision for such intergovernmental cartel agreements is made in a proposal by our State Department pending before another agency, the International Trade Organization of the United Nations.

The language of this latter proposal is so muddy and filled with so much double-talk, that it is difficult to say exactly what it does mean. In one place it calls on the member nations to forswear restrictive undertakings and to embrace competitive enterprise. But in other places there are exceptions which virtually nullify all such high ideals.

At all events, the framework proposed for these intergovernmental cartel agreements is so broad that, in the words of Professor Edward S. Mason of Harvard, who is partial to them, "countries adhering to a commodity agreement would have to commit themselves to a definite line of action on their domestic handling of the regulated commodities."

"Clearly," Professor Mason goes on to say, "the present domestic agricultural policy of the United States is quite incompatible with participation in the proposed type of commodity agreement."

Our farmers should take notice! So should we. The proposed framework for these inter-governmental commodity cartels might well cover any inter-governmental oil agreement having to do with the control of production, price or marketing allocations.

Of course, the Food and Agricultural Organization, the International Trade Organization and the International Bank for Reconstruction and Development will be tied into the operations of the International Labor Office, the World Health Organization, the International Refugee Organization and the United Nations Educational, Scientific and Cultural Organization. All of these in turn will be tied into the Economic and Employment Commission and the Economic and Social Council.

Throughout all these proposals certain words appear and reappear: Stability! Orderly Development! Cooperation! Collaboration! Mutually Advantageous! Full Employment! Integrated World Economy! How alluring are those words! But out of the bitter experience of the last few years we have learned that such words were the sheep's clothing under which the wolf of National Socialism hid.

We have learned that such specious phrases describe governmental controls that in Germany, Italy, Japan and Russia crushed the freedom of individuals. They mask an economic collectivism that would destroy our American competitive enterprise system and subsequently the freedom of our people.

Our Foreign Policy Opposed to American Tradition

Much of our Government's approach to the world's postwar economic problems is away from the tried and true American system and towards compromising with, if not embracing, restrictive collectivism. Too many men in our Federal Government are without faith in the ability of competitive enterprise to serve adequately the needs of our people.

These men believe that Government must guide and direct our activities. They believe that in order for the country to be prosperous, the Government must tell the people what they can produce, where they can produce it, and at what price they can sell it. Professing to be friends of the people, they mistrust the people and look with contempt on the ability of the average man to take care of himself.

Yet they possess no intelligence or vision superior to that of the people themselves. Look back a little more than a year ago when these men were forecasting a depression with eight to ten million unemployed in the first postwar year. Events proved them wrong. Nevertheless much of the economic agony which we have suffered during the last year resulted from steps taken on the basis of these false forecasts.

With equally erroneous reasoning, many of these men for the last 14 years have been seeking to force a system of collectivism upon us, but with only partial success. Now they see the opportunity of establishing such a system in this country through the rear door of international treaties and agreements designed to weld us to the collectivism of the remainder of the world.

In this way, they apparently hope to achieve in a constitutional manner what otherwise would be unconstitutional. The Constitution makes treaties the supreme law of the land, on a par with the Constitution itself, over-riding other Federal laws, and nullifying State constitutions and laws which may be in conflict with the treaty.

This is the paramount danger that threatens us, for pursuant to the treaty making power, the Federal Government can exercise over our lives and activities authority and controls which otherwise would be impossible.

For this reason each of these United Nations proposals, and all treaties and international agreements, should be scrutinized in every detail to guard against the possibility that they may radically change the entire political and economic structure of this country.

International Oil Agreements

Oil long has been of particular concern to these economic planners. They sought, in a fashion, to cartelize the American oil industry under the Blue Eagle of NRA. When the Supreme Court shot down that bird of ill-omen, it was clear, even to the planners, that their objective could be achieved only by indirection.

Suddenly, in the summer of 1944, they dropped the Anglo-American Petroleum Agreement upon an industry dedicating all its attention and energies to helping win the war. To its everlasting credit, the American petroleum industry forced the withdrawal of that monstrous arrangement.

More recent events, however, indicate that instead of being over, the battle to subject our industry to a super-state cartel has just begun. Thus it is worthwhile to refresh our minds regarding the contents and implications of that first version of the Anglo-American Petroleum Agreement.

Ambiguous and vague though the language of that agreement was, it provided a framework for governmental restrictions on the production of petroleum and its products, the fixing of prices and the allocation of marketing quotas upon the recommendations of an International Petroleum Commission.

Inherent in the implications of that agreement was the assumption of an obligation by our Federal Government, when it concurred in such recommendations, to undertake to carry them out in the domestic field. Despite the fact that jurisdiction over natural resources is among the powers reserved to the States in the Tenth Amendment, our Federal Government would attain the authority, by having entered into this treaty, to assume virtually an absolute authority over the production and distribution of petroleum and its products in this country. This version of the Agreement was in all respects a super-state cartel. Such cartelization would constitute national Socialization of the petroleum industry here and abroad. For these reasons the industry, to a man angrily opposed, this proposed agreement and it was withdrawn from the Senate where it had been sent for ratification.

Meanwhile, you will recall, a Committee of the Petroleum Industry War Council collaborated with representatives of the State Department and the Petroleum Administration for War in revising the original agreement to overcome our objections. Finally a draft was agreed upon which had the effect of assuring equal opportunity for the nationals of the United States and Great Britain to develop oil resources in their respective jurisdictions and recognizing the validity of all lawfully acquired concession contracts.

Establishment of an International Petroleum Commission to study and report upon the problems, trends and activities of the international petroleum trade was provided. But it was clearly understood that the findings and recommendations of this Commission were to be of a purely advisory nature and that no obligation rested on either Government to act upon them. It was further agreed that the governments of all oil producing and consuming nations would be invited to become parties to the agreement.

This revised draft was acceptable to the industry, by and large. Standing alone it could not be used as a vehicle for restrictive control of the industry. The British accepted this revised agreement in September of last year. The Senate has not yet acted on it.

There the matter stood until last August when State Department spokesmen in a radio broadcast made clear their thought that this agreement was not to be the final solution of the controversy but, in effect, was "only the first step toward the world-wide agreement we need."

Mr. John A. Loftus, Chief of the Petroleum Division of the State Department, who thus characterized the agreement, went on to say that "the objectives of the Anglo-American Oil Agreement need to be implemented and strengthened on a world-wide basis."

I direct your attention to the phrase: "need to be implemented," which would seem to indicate Mr. Loftus felt that there was a need to "put teeth" into the agreement—the very opposite of an understanding for purely advisory action.

Substantiation for such an interpretation is to be found subsequently in the broadcast in suggestions that a broader understanding sponsored by the United Nations might be developed for the oil industry that would *not* be purely advisory.

Mr. Charles B. Rayner, State Department Petroleum Adviser, concurred in these suggestions. The moderator of the program, in summarizing the discussion, according to an official State Department press release, asserted:

"To conclude, then, we need more international control over the development of the world's oil resources to guard against international friction. The Anglo-American Oil Agreement is a start—a good statement of principles, but with no real authority. These principles should be extended under the United Nations to as many other governments as are willing to accept them. And they should be implemented in such a way as to assure the orderly production and distribution of the world's oil in the future."

To that statement by the moderator Mr. Rayner responded: "That's right," and went on to say that the sooner a world-wide oil organization is set up the better.

Opposes Anglo-American Agreement

As far as I am concerned we are back where we were when the original Anglo-American Oil Agreement was before the Senate two years ago. If our Government does not mean the pending version of the treaty to encompass all its intentions in the field of international oil, then I, for one, am opposed to it, and I ask your help to do all we can to bring about its defeat.

Prior to the Loftus-Rayner broadcast, I was willing to go along with the revised Agreement. I believed the oil men who had participated in its drafting had adequately safe-guarded our domestic industry against restrictive actions. I further believed it was desirable to have some assurances that valid concession contracts and equal opportunity in exploration and developments abroad would be respected.

But if this Agreement is to be the camel's nose under the tent of a restrictive inter-governmental cartel, then it becomes a real danger to our industry and an unrelenting fight should be made upon it.

We have more than the Loftus-Rayner broadcast to warn us to be on the alert:

Refer to the Charter suggested by our State Department for the proposed International Trade Organization of the United Nations wherein recognition is given to inter-governmental commodity cartels relating to "exhaustible natural resources."

Read all the provisions in that document, but particularly the chapter entitled: Inter-governmental Commodity Arrangements.

Take note also of the recent call for the convening of a United Nations Scientific Conference on Resource Conservation and Utilization to meet in the last six months of next year to survey the extent of exhaustible natural resources throughout the world.

Consider these developments, with the Loftus-Rayner broadcast in the background, and ask yourself whether you can visualize in your mind, precisely and certainly, what is in store for the oil industry. It cannot be done. And, until we know exactly and certainly what is contemplated, we should withhold our support from any international undertaking affecting oil.

In fairness, it should be noted

that two weeks ago Mr. Rayner appeared before the Independent Petroleum Association of America, at its Fort Worth meeting, to disavow any intent to extend governmental control over the oil industry beyond the boundaries of the pending Anglo-American Oil Agreement. He asserted that "this Government has never contemplated giving more than advisory functions to any international body in the petroleum field."

Passing over Mr. Rayner's competency to speak for the Government, let me say, either he suffered a severe lapse of memory on that occasion as to what has transpired in this field in the last 30 months—or he deliberately undertook to deceive his audience. His statements there cannot be reconciled with the facts — nor with his own words in the broadcast last August, as released by the State Department.

Judging by the adverse action taken on the Anglo-American Oil Agreement by the Independent Petroleum Association after Mr. Rayner's departure, he did not fool very many. As a matter of fact there is a large and growing segment of our industry who now oppose Senate indorsement of this treaty.

No demonstration has ever been made of the necessity for any special treatment of oil in international affairs. The plea that "we are running out of oil" has become shelf-worn with time and has been riddled to shreds by the course of events.

As pointed out earlier, we have today—despite the demands of the war years—the largest proved reserves in history. We also stand today on the threshold of technological developments which promise to multiply our resources and their utilization more than twofold in the immediate years ahead.

This is the answer to the requirements of the military services for national defense. Means to satisfy those requirements do not lay across the seas; neither do they lay in any governmental cartels. They lay here at home, not alone in the earth of America, but in the scientific research laboratories and, above all, in the spirit and initiative of the American men of oil. Thus were the needs of national defense satisfied in two great wars and thus will they be satisfied should we again become embroiled in war.

Our industry stands ready today as it did in war to cooperate to the utmost with those in the Army and Navy charged with preparing our national defense. We ask only that they have faith in the ability of free men to produce what may be needed again just as free men produced all that was needed in the conflict just ended.

In the field of foreign oil our Government has no reason to go beyond insisting upon non-discriminatory commercial treatment of all American oil marketers; upon the "open door" principle of equal opportunity in exploration and development rights; and, upon just and adequate compensation for seizure of property by foreign governments. But our Government should do exactly these things in respect to all Americans and commodities of trade through general treaties of amity and commerce.

American oil asks no special privileges, at home or abroad. Neither do we want to be subjected to super-state cartels and other restrictive controls.

We ask only the opportunity, both at home and abroad, to do business in the traditional American manner of competing with all comers, with none barred, on a basis of equal rights, without coercion or monopolistic restraints of trade.

If we are permitted to proceed along that highway of spirited competitive enterprise, then all the bright hopes for our industry will be fulfilled and we shall multiply many times our past contributions to raising the standard of living and assuring the national defense of the American people.

Securities Regulation Will Be Relaxed

(Continued from first page)

to take stock of where we stand and where we are heading.

The roots of the securities legislation which the Commission administers lie deep in American history. You gentlemen are familiar with the broad objectives of that legislation: among them, to procure full disclosure about securities; to prevent fraud and manipulation; and to guard against improper handling of customers' accounts. There is not a single standard under which we work that is alien to American ideals and the American way of life. Honesty, and a concern with truth and decent practices are not revolutionary ideas to Americans. Quite to the contrary, they are at the foundation of our financial life; they are the hall-mark of all that has been worthwhile in the American financial community throughout its history.

The tradition of sharp practice has vanished even for shopkeepers. It certainly has no place in a profession which cannot survive without a basic public confidence and cannot get that confidence without preserving a strict sense of its responsibility to the American investor.

Ethics Are Legislated

The standards of professional decency which we now take as a matter of course are embodied in our laws. In 1929 we had our own ideas of what values should be, and it was not uncommon practice to help destiny along with a rig or a pool whenever it was felt she was lagging behind. When the day came to face dreadful consequences of our irresponsibility we were lost and confused. We do not want to see that happen again.

The years which have passed since the adoption of the Securities Act of 1933 and the Securities Exchange Act of 1934 have been among the most critical in American history. We were in a deep and world-wide depression. As we climbed out of it Poland was invaded. Then came Pearl Harbor and the gruelling task of war. In the short aftermath of war we have already witnessed some of the problems of reconversion and watched a dizzying climb and a deep drop in the market.

Complacency Is Dangerous

Today, having seen the essential toughness of the market, having seen it take body blows and still stand firm, we can easily be misled into dangerous relaxation of vigilance. We are likely to forget that it took years of hard work to strengthen our standards so that we could face heavy declines of security prices without facing also a wave of forced liquidation and failures which inevitably result in panic.

This law has been in operation for twelve years. Yet, in spite of the early prophets of doom, the law has worked; the SEC has not taken over the management of American companies; there has not been a universal, or even tremendous withdrawal of securities from exchanges; we are members of a society in which democracy and the American way of life still stand firm. And, our markets have shown the kind of resilience that would have been impossible unless the vigilance of the past decade had been preserved.

The Law Has Worked

The Commission alone could never have made a working reality out of the Securities Exchange Act. Once it was realized that the law was workable, the Commission had the cooperation of the exchanges and their members, as well as of other organizations and individuals affected by the law. I do not believe that the cold letter of the law alone accounts for the improvement in the professional standards of the financial community. I know that there has been within the community, a development of the sense of responsibility uncoerced by the existence of a federal policeman. From the bulk of those with whom we deal day by day, those who in large part account for this development in the community's sense of responsibility, we have had ample demonstration that the community is in basic agreement with the standards embodied in our laws. It is from them, too, that we have frequently heard that this desirable development could not have taken place without the existence of our Federal securities legislation. But I am aware that at the fringes of every group there are those who will not accept the self-imposed disciplines of responsibility inherent in the profession and who are perennially anxious to obliterate lawfully declared standards of decency and honesty.

The Joint Responsibility

Both the honest brokers and the American investors face, at this time, a clearly defined necessity. It is the necessity at least to preserve those gains which we have made against the forces which led to the boiler shops, the bucket shops, and the high-riding irresponsibility, of the days before the statutes. Those of you who have been in the business long enough to have seen its peaks and its pits, and to have witnessed the turning of its cycles know what I mean. Your business cannot survive without a basic public confidence in the securities markets and in your handling of customers' affairs. That confidence was lost with the onset of the great depression and you never want to see that happen again. Those of you in the trade who know that you can make a decent living honestly in the securities business feel, as I do, that the business must be protected from its submarginal fringe. For your own welfare you need, just as the investor does, to have the securities laws in existence and honestly enforced.

We hear perennial complaint about restraints. There are all kinds of restraints and there are many ways in which restraints can be administered. You cannot maintain a high professional standard in your business with high-binding license. And no standard is a real standard unless it restrains license. It was not the intention behind the laws administered by the Commission, and it cannot be the intention behind any standards—external or internal—to make the path of the securities seller easy. The easy path is the primrose path. We must not permit a relaxation of vigilance that opens the way to the degrading of professional standards and the loss of public trust. The way lies rather in honest, sensible administration of the law; with adjustment by the financial community to conformance with its standards and adjustment by the Commission to meet the legitimate needs of business. The legislation administered by the Commission embodies standards which are an integral part of the American way of life. These standards are translated into action by a Commission. They can be ruined by unintelligent and vindictive administration, on the one hand, or by flabby non-administration on the other. We, at the Commission, continue to stand pledged to an honest administration free of vindictiveness, and motivated by a constant attempt to make a sensible application of the policies of the law.

Commission's Plans for Simplification

To beat the barrel is one thing. To lay it on the barrel head is another. We don't intend merely to utter glittering generalities. I talk about real things when I talk about our adjusting ourselves to legitimate business needs and I take this opportunity of announcing publicly some of the steps we have taken at the Commission to adjust our procedures to improve and simplify them. First I think it important to let you know that the Commission has undertaken a definite program of simplification and improvement of forms and procedures. Sometime ago we published proposals for improving the machinery of getting information about securities out to the world in advance of effectiveness of registration, by use of the so-called "red-herring" prospectus. We have received many comments and helpful suggestions from the financial community on those proposals and that step of our program should be completed soon. I might remark, as an aside, that we have been tentatively moved by comments from the financial community to eliminate some of the requirements originally proposed by us in our proposed "red-herring" rules.

Prospectus Rules to Be Eased

We are now proposing a series of changes in our forms and prospectus requirements to carry forward our promise to improve and simplify our procedures. These are designed not only to lessen the burden of registrants but to aid in speeding up the Commission's processing of registration statements. I do not wish to discuss the proposals as to the form and prospectuses in detail. We intend to specify our tentative suggestions, send them around, and afford ample opportunity for comment. Of course, the details of the program are necessarily tentative at this time. However, in general, they involve the complete scrapping of three registration forms under the Securities Act, the A-1, A-2 and E-1 forms; the elimination of that part of Form S-1 calling for items of information that do not go into the prospectus; and the deletion of other items of information that are more or less obsolete carry-overs from former days, or duplicate information otherwise filed with the Commission. For example, we cotemplate the revision of Form S-1, the form now most frequently used for the registration, to eliminate the necessity of supplying historical financial information in certain cases where similar information is required by other provisions of law. We contemplate cutting out from that form the information now required with respect to the description of the securities of the issuer not being registered—except to the extent necessary to appraise the securities being registered—so that only information materially pertinent to investors will be required to be supplied.

Comparable simplification, and in fact, added simplification in the prospectus is also being considered. We want to cut out of the prospectus a good deal of the lengthy description of the underwriting contract heretofore required, and to limit disclosure only to those portions really important to investors. We intend to reduce the required amount of information about remuneration—particularly with respect to non-policy-making personnel. As I indicated, the form itself would be revised to eliminate the necessity for submitting historical financial information in the registration statement where it is otherwise available, and therefore the prospectus will no longer be required to carry that information.

As I stated, I have tried to avoid making my description of our proposal too specific. You will soon get more precise statements about these proposals and, of course, will have opportunity to comment about them.

We make these proposals because they make sense to us and are, in our view, utterly consistent with the interests of the public and of investors. We ask for your cooperation and suggestions on these proposals because our past experience shows that we do better and go further by telling people what we are about and inviting their help.

Nat'l Alfalfa Stocks Placed on Market

Public offering of 58,860 shares of 5% cumulative preferred stock, $50 par, and 505,220 shares of common stock, $1 par, of National Alfalfa Dehydrating & Milling Co. was made Nov. 19 by a group of investment bankers headed jointly by Stone & Webster Securities Corp. and Bosworth, Sullivan & Co. The preferred stock was priced at $50 per share with common stock warrants attached, and the common stock at $9 per share.

Proceeds from the sale of the stock will revert to members of the purchase group which organized the company and for whom the securities are being sold. The company has an outstanding capitalization of 60,000 shares of 5% preferred stock (par $50), and 643,000 shares of common stock (par $1).

National Alfalfa, the largest producer of alfalfa meal in the United States, owns and operates 34 mills in 12 states. The company was organized in May of this year by a purchase group managed by Stone & Webster Securities Corp. and by Bosworth, Chanute, Loughridge & Co., Denver. It was established primarily for the purpose of manufacturing, storing and selling dehydrated and sun-cured alfalfa meal, a basic ingredient providing many essential nutritive elements in mixed feeds for poultry and livestock. The new company acquired certain assets and businesses of the Denver Alfalfa Milling and Products division of Ralston Purina Co. and the Pecos Valley Alfalfa Mill Co.

The company reported net sales for the 12 months ended July 31, 1946, of approximately $14,000,000 and net profit, after Federal income and excess profits taxes, of $1,224,000. For the three months ended July 31, 1946, the first quarter of the company's current fiscal year, net sales totaled $4,291,000 and pro forma net income amounted to $552,223. Directors of the company on Nov. 15 last declared an initial quarterly dividend of 18 cents a share on the common stock, payable Feb. 1, 1947, to stockholders of record Jan. 10, 1947.

Each share of preferred stock will bear a common stock warrant entitling the holder to acquire two additional shares of common at $10 per share either by payment in cash or the tender of preferred stock at par value. The warrants will be detachable after July 1, 1947, and expire Nov. 30, 1950. Any preferred stock submitted in exercise of the warrants will be canceled and all cash received thereby will be used to retire additional preferred stock.

Economic Stability and High Production

(Continued from page 2608)
scious of the effects of a low level of production and exchange together with a correspondingly high level of unemployment. Beginning with the Lend-Lease arrangements in 1941 every effort has been made to have the ultimate settlement made in a manner consistent with the principles of free and unrestricted exchange. There is one principle which runs like a clear and unbroken thread through such international arrangements as the master Lend-Lease agreements, the International Monetary Fund, the Bank for Reconstruction and Development, the British Loan, and the agreements covering the final settlement of Lend-Lease and the sale of surplus property abroad; this is the realization that high output and employment must be viewed as a world problem. Moreover, we have come to realize that national policies must conform with the international principles which we support, since it has become apparent that a high level of prosperity in the United States is one of the best guarantees of economic stability in the outside world.

This does not mean that production and employment can be looked upon as ends in themselves. It is important that there be objectives consistent with, and in support of, high standards of living and the maintenance of stable economic and social structures everywhere. Hitler gave the German people employment, but the objectives could not be self-sustaining as the Germans themselves now know. Although the German worker had the dubious satisfaction of gaining a momentary sense of security against want through his knowledge that he had a job, the world as a whole was becoming correspondingly conscious of a growing sense of insecurity for all. Any growth in production and employment that generates a corresponding decline in standards of living can have no desirable long-term results.

High Production Dependent on World Stability

For this reason we could hardly hope to seek or long maintain a high level of output in an unstable world. The two conditions are incompatible. In time of war every available resource is directed towards destructive use in order that the period of destruction may be terminated as soon as possible. Since in time of conflict a large proportion of output is directed towards the prosecution of war, the part that is available to serve our daily needs and to expand our industrial plant and equipment is necessarily limited. Our objective in time of peace is that of maintaining the highest possible level of output and at the same time make possible the distribution and utilization of the product in the interests of a higher standard of living.

We can best illustrate the nature of this problem by comparing our wartime national output figures with those of a more recent period. Let us note what happened with our total output in 1945. It was during the second quarter of that year that we reached our highest annual rate of output of approximately $206 billion. For the year as a whole the value of the gross national product was $197 billion. Although war expenditures began to taper off during the second half of the year, the Federal Government's outlays accounted for approximately $83 billion. In other words, the Government was such an important customer that for carrying on the war it took considerably more than 40% of what we produced. During the same year only $9.407 billion went into such constructive operations as residential and other construction, producers' durable equipment, etc., while private consumers spent approximately $105 billion.

Civilian Production Offsetting Loss in War Output

By the second quarter of 1946 these figures showed some very significant developments. Although the rate of gross national output had, as was to be expected, dropped somewhat and was running at an annual rate of $185 billion, the annual rate of Government expenditures had fallen to $38 billion. As the Government's needs declined, the amount represented by private investment in plant, capital equipment, construction, net change in inventories, net exports, etc., rose to an annual rate of $25 billion, while consumers' expenditures were running at an annual rate of $122 billion. Percentage-wise we find, therefore, that from the time of the surrender of Japan in August, 1945 to the end of the first half of the current year the annual rate of total output had fallen by 6%, while the share represented by Government expenditures had dropped by nearly 55%. At the same time the amount represented by private capital formation had risen by 166% and consumers' expenditures by 16%.

Our problem, then, is one of seeing to it that private markets absorb the goods and services produced at a time when we are not utilizing an important part of our output for destructive purposes. Can we find ways and means of enjoying and constructively using what we produce and of maintaining opportunities for profitable investment? I shall deal with only one special segment of the problem; namely, that relating to foreign trade.

Importance of Markets

It goes without saying, that production and employment can not long be maintained unless there are markets available. Also, we must note that production, employment and distribution are interdependent; that they expand and contract together. Too often we have thought of markets, especially foreign markets, as something static or fixed. Our reasoning has often rested, more or less unconsciously, on the premise that whatever another country gains in a given foreign market we must necessarily lose. We need to think in terms of maximum rather than minimum market possibilities, and to keep our production budgets geared accordingly. In fact, it is absolutely essential if we are to maintain production, employment, and economic stability.

Markets are wherever we can find them; they are not confined to some limited area marked off on a map by a line of a certain color. Our experiences under the Articles of Confederation were such that later under the Constitution we saw to it that State boundaries no longer became barriers to trade. As a result, we have long had in the United States the greatest unrestricted market in the world. Our relatively high standard of living has in large part been derived from this fact. There is nothing mysterious about goods and services just because they may wish to cross a national frontier. The trade between the United States and Canada is a good example of exchange which has undoubtedly benefited both countries. It is the broadening of this type of base which can mean the broadening of markets from which both we and the rest of the world will benefit.

Role of Foreign Trade

It should be noted that foreign trade has always been an important function of our domestic economy. The United States has always been a central point in the network of world trade. During the 19th Century when we were borrowing heavily abroad, the payment of interest and dividends to foreign creditors benefited both us and the lending countries. In effect we met our obligations in large part through the export of cotton, wheat and other products. Our creditors were among the principal markets for American goods. Even though our exports may have constituted a relatively small part of our total national output, American agriculture relied on foreign markets for the sale of a very large proportion of our production of cotton, wheat, tobacco and certain other products.

The shift of the United States from a net debtor to a net creditor during World War I produced certain changes in the balance of international payments, yet it did not alter the interdependence between domestic output and world commerce. For several decades prior to the war the relative position of agricultural production on the one hand, and manufactures on the other, in our export trade, were undergoing a steady shift. With the turn of the century our manufactured products began to assume a more and more important part in our export trade. Agricultural exports still remained important, but in relation to our total sales abroad they began to decline. This change was entirely natural. It resulted in large part from the fact that the United States was accumulating more and more savings and shifting steadily from the position of a net debtor to that of a strong creditor. World War I, of course, hastened the process, but the shift was bound to occur eventually, in any event.

With the growth of our mass-production industries and the expansion and improvement of technological processes, foreign markets have become increasingly important as factors in maintaining maximum employment in our basic industries and in the reduction of unit costs.

This takes us to the point where we can take special note of the direction in which our foreign economic policy has been developing during recent years. We are of course familiar by this time with the degree to which many of our postwar measures after World War I ultimately contributed to the sharp decline in world trade and to the breakdown of the international exchange system during the early 30s. With a view to guarding against a similar settlement after World War II certain fundamental principles were written into the master Lend-Lease agreements beginning with the Anglo-American Agreement of February, 1942. In these agreements it was provided that the final determination of the benefits of wartime mutual aid was to be based on settlements directed "to the expansion by appropriate international and domestic measures of production, employment, and the exchange and consumption of goods," and "to the elimination of all forms of discriminatory treatment in international commerce, and to the reduction of tariffs and other trade barriers." This is, in effect, an enunciation of a policy which would aim at all times at the development of world trade on a maximum level with a view to making it possible for all nations to trade with each other on a profitable basis and to enable debtors to meet their international obligations.

Proposals for World Trade and Employment

The Proposals of World Trade and Employment which the United States released at the time when announcement was made of the text of the proposed loan agreement with Great Britain in 1945 represented an amplification of these principles. They were accepted by the British Government as a basis for later discussion and negotiation.

The proposals were transmitted to other Governments for their consideration. They contained suggestions for rules to govern trade barriers, restrictive business practices, intergovernmental commodity arrangements, and the international aspects of domestic employment policies and outlined a suggested structure for the international Trade Organization itself. Various governments, including those of Great Britain and France, have indicated their acceptance of the proposals in principle and their willingness to cooperate with this country in working towards their general international adoption.

In February of this year the Economic and Social Council of the United Nations adopted a resolution calling for an international conference on trade and employment to consider the creation of an International Trade Organization. It established a Preparatory Committee of 19 countries to arrange for the conference and to prepare a draft charter for such an organization. The Preparatory Committee has recently been in session in London.

The Bretton Woods Institutions

The fundamental objectives of the International Monetary Fund and the International Bank for Reconstruction and Development are aimed at the achievement of maximum employment and trade throughout the world. In order that nations may freely exchange what they produce it is necessary that exchange rates be kept stable. This, as you know, is a primary objective of the Fund. At the same time it is necessary that the nations of the world be able to develop their resources, utilize to the maximum their available human and material assets and lift their national output to the highest possible level. It is a primary purpose of the International Bank not only to aid directly in bringing this about, but also to help in creating and maintaining a sense of stability which will make possible the ready employment of private capital in areas where constructive development can be undertaken.

In referring to the fundamentals of United States foreign economic policy the Director of War Mobilization and Reconversion in his report of July 1, 1945, summed up these objectives as follows: "We want our consumers and businesses to have the right to buy and sell in markets without discrimination. Only in this way can we secure the most efficient use of division of labor among nations with the maximum advantages to our American standard of living." After calling attention to our desire to cooperate with other nations in promoting world peace and economic stability, Mr. Vinson in the same report declared that: "The United States can not be an island of stability in a sea of instability, nor can world stability be achieved without American prosperity and cooperation." In other words, the policy is one designed for the realization of the greatest advantages of mutually beneficial exchange and cooperation.

Ever since the middle 70s the United States has experienced a virtually unbroken series of annual merchandise export balances. In the days of mercantilism an export balance was always referred to as a "favorable" balance. This term has persisted to the present day and has all too frequently blurred our thinking about foreign trade. A "favorable" balance is not necessarily good or bad; it depends entirely on circumstances. And the sooner we can discard the term from our thinking, the better. For many years Great Britain's import, or "unfavorable" balance of mercantile trade was a direct reflection of that country's strong position as a creditor nation. In other words, she had sources of income abroad other than those derived from her sale of merchandise which she could draw upon in paying for the food and raw materials and other products which were imported.

Level of Foreign Trade Important

It has of course been maintained that from the moment the United States became a net creditor we should have shifted from an export to an import balance if we were to play the role of a true creditor. This is also somewhat an over-simplification. At any rate, the issue is not particularly pertinent to our discussion at the moment. It is not the size of the balance, whether it be on the export or the import side, that is important; it is rather the level at which both exports and imports are maintained. Our own level of imports has tended at all times to run parallel with our level of domestic business activity. This close correlation between imports and the index of industrial production is, of course, readily explained by the fact that a substantial part of our imports consists of raw materials and semi-finished products which are essential to the production of industrial products in this country. Since the purchase by our foreign customers of our own products is usually limited only by the volume of dollars available to them, it also happens that the level of exports follows a trend which, roughly, is in line with the course of economic activity in the United States. It is clear, therefore, that whatever contribution world markets can make to the maintenance of a high level of output and employment in the United States is certain to be influenced by the degree to which we can maintain a high-level balance between production, consumption, and investment in the United States; and by the same token the extent to which we can initiate and support stabilizing influences operating throughout the world as a whole.

Meyer Discusses World Bank Plans

Discussing the forthcoming operations of the International Bank for Reconstruction and Development, Eugene Meyer, President of the Bank, according to a special dispatch from Washington to the New York "Times" on Oct. 31, emphasized the following points:

"1. When the Bank is ready to market its securities in the United States, which he indicated would not be in the immediate future, it will probably offer several varieties of securities to meet the requirements of important segments of the investment community, such as savings banks and insurance companies.

"2. Mr. Meyer stated repeatedly during his press conference that he had no intention of being secretive about the Bank's operations. 'We haven't a thing to hold back,' he said.

"3. Applications and communications regarding prospective loans thus far received by the Bank would involve an aggregate credit advance of around $2,000,000,000 over the next few years. By next May the Bank will have about $718,000,000 in gold and American dollars with which to make loans, not including considerable foreign currency, and without borrowing in the money market."

Mr. Meyer is reported also to have told the press conference he was addressing that he considered it neither neceessary nor desirable for the Bank to commence operations hastily.

Announcement by Mr. Meyer of the appointment of Charles Chipman Pineo as director of the Loan Department of the Bank was noted in our issue of Nov. 7, page 2389.

Restoring Equality in Collective Bargaining

(Continued from page 2611)

best contributor to industrial peace.

True collective bargaining, under the only circumstances in which it has any meaning, has not yet been honestly tried as the means of preventing the excessive growth of labor strife. True collective bargaining is impossible when government sits at the bargaining table on labor's side. True collective bargaining is impossible when labor is given legal, political, and economic weapons which are denied to employers.

Until true collective bargaining has been fairly tested, no sincere believer in private enterprise and in democratic liberty can honestly advocate the passing of new laws imposing novel restraints on employers or employees, or vesting new powers in a bureaucracy.

Fair Adjudication of Labor Disputes Impossible Without Formulated Basic Rules

Collective bargaining under the best circumstances will obviously not eliminate all strikes nor provide a substitute for them. The question may fairly be asked: Aren't there other possible solutions of the labor problem? For example, can't the labor problem be solved by turning the economic battle into a contest before some labor court or administrative tribunal? After all, submission to the judicial process has been the historic way in which the rule of law has replaced self-help and the feud.

The glib plausibility of this argument conceals both its difficulties and its dangers. The judicial process is essentially the ascertainment of facts, and the application to these facts of a previously formulated rule with which the parties were or could have been acquainted. The duty of the judge, once the facts are found or agreed upon, is to apply the existing rules, not to make new ones, and the judge should refuse to allow personal preferences or beliefs to influence the result. Unless the rule has been formulated in advance, the decision is tainted by the unfairness inherent in *ex post facto* legislation. If the judge is permitted to formulate new rules to conform with his personal beliefs or prejudices, or to decide particular cases without reference to general rules or principles, law becomes personal and arbitrary, and ceases to command the respect which alone can make it ultimately effective.

Before you can have a fair and workable procedure for the adjudication of labor disputes, you must either have reached a general agreement on universally acceptable basic rules, or you must explicitly prescribe those rules in the statute creating the tribunal.

The truth of this postulate becomes apparent as soon as we turn to specific cases. When, for example, should a labor union be awarded the closed shop? If you believe as I do in private enterprise as the best means of improving our standard of living, the answer is "never." The principles upon which this answer is based do not admit of compromise; they must either be upheld or abandoned.

But an award of the closed shop by a labor court or board of arbitration would reflect the conviction of the judge or arbitrators that the closed shop *should* be imposed, at least under the facts similar to those of the particular case. This major premise would be implicit in the award.

However, if the parties had not agreed in advance to this major premise, or if the statutory law did not prescribe the conditions under which a closed shop should be imposed, this major premise would be no more than purely personal conviction of the individual judge or arbitrator. The next judge or arbitrator who held different personal convictions would be free to make a different award upon the same state of facts. Justice and a workable system of law can never result from decisions on matters of principle based on the personal whims and prejudices of the individual who happens at the moment to be charged with the duty of decision.

No General Agreement on Basic Rules Exists Today

The important issues in the current major labor disputes are without exception issues which cannot be solved by any formula or standard upon which management or labor would generally agree.

For example, you cannot formulate any rule or standard setting forth the circumstances under which a general wage increase or decrease should be given, upon which organized labor and management will substantially agree. The fact is that the formulae which from time to time receive publicity, such as supposed ability to pay, are almost always tailor-made to fit an immediate situation, and are abandoned as freely as they are advanced.

If you cannot secure universal agreement on a formula to establish a "fair" wage scale for all employees, you will be equally unable to secure an agreement on the circumstances under which an annual wage plan should be adopted, or an incentive wage plan eliminated, or a work week shortened, or a benefit fund created.

An arbitrator today consequently has no universally accepted standards to guide him in deciding any of the major issues which are causing destructive strikes. His decisions are necessarily arbitrary and the reflection of his individual bias. He cannot be "impartial" in the sense of impersonally applying established basic rules.

For this reason, the major controversies between organized labor and management cannot be solved today by *voluntary* arbitration, unless management is prepared to sacrifice principle for expediency. Except in those instances when the dispute is purely one of fact and the principle to be applied has been agreed upon, the device of arbitration is simply the surrender to an outsider, not responsible for the success or failure of the business, and often not intimate with it, the decision as to how the business shall be run.

Why No General Agreement on Basic Rules Is Possible

This lack of agreement upon basic formulae is not fortuitous. A major reason is that the economic and political beliefs of many labor leaders, and the goals implicit in many of the demands which other labor leaders advance, are incompatible with the philosophy and goals of private enterprise.

Labor leaders obviously do not all think alike; they also differ widely in the techniques they employ and in the demands they advance. Nevertheless, businessmen dangerously deceive themselves whenever personal respect or liking for individual labor leaders, or pleasure in some temporary alliance, leads to lesser vigilance in defense of the prerequisites of private enterprise.

If the labor leader is at heart a Marxist, he believes that private enterprise will be and must be destroyed. A very large number of labor leaders today are Marxists. We must not be deceived by the current drive against "Communists" in organized labor. The word "Communist" in the argot of the labor movement means simply a member of the Communist Party, or, at most, one who identifies himself with the Party by close adherence to the Party line. But many of the leaders of the attack on the "Communists" are themselves convinced and thoroughgoing Marxists. Nothing is more dangerous than to assume that those who today attack "Communists" within their union, and who are in consequence unthinkingly labeled "right-wingers," are *ipso facto* believers in private enterprise or in our form of government.

At Wards, we have dealt with a CIO international, the United Retail, Wholesale, and Department Store Employees of America, which has furnished several of the leaders of the so-called "anti-Communist" groups within the CIO. Nevertheless, at least one International Vice-President of this union is a convinced Marxist; and the attorney who has customarily represented this union against Wards is state secretary of the Marxist "Socialist Workers' Party." When this union struck against Wards in wartime to provoke a government seizure, the "Daily Worker" condemned the strike as the work of "Trotskyites." Whether this label be technically accurate or not, much of the noise in the current battle in the ranks of labor is the echo of factional disputes between those who follow the gospel of Marx according to Stalin and those who assert their right to interpret "Das Kapital" according to their own consciences.

The truth is that the attack on the Communists stems from no love for private enterprise. James Carey, national secretary of the CIO, the avowed leader of the attack, in effect admits this when he condemns "Communists" as "Quislings" who are "enslaved to the foreign policy of the Soviet Union," but adds:

"People who merely support an ideology of Communism do little harm."

People who support the ideology of Marxism, whether you call it Communism, Socialism, or something else, are enemies of private enterprise with whom no basic agreement is possible.

At an off-the-record meeting, but in the presence of several hundred listeners, I asked one of the best-known leaders of labor, labeled everywhere in the press as a "right-winger," whether he believed that pickets should be permitted to use physical force to stop production workers from entering a struck plant. With complete frankness he answered, "I would feel derelict in my duty as a labor leader if I permitted them to enter the plant. Remember, a strike is war." To preach the use of violence to prevent employees from working against the wishes of a labor union is to preach the defiance of law which is revolution; and to speak of a strike as warfare justifying revolutionary violence is to preach the class war proclaimed by Marx and Engels in the "Communist Manifesto."

But it is not necessary to pin the label of "Marxist" upon a labor leader to prove that what he believes is incompatible with our basic political and economic beliefs. The labor leader who, like John L. Lewis, calls a strike in the knowledge that the government will thereupon seize the strike-bound enterprise and concede his demands, and the labor leader who, like Helstein of the Packinghouse Workers' Union, publicly demands that the business with which he is dealing be declared a public utility and be operated by the government, and the labor leader who, like the late Sidney Hillman, asserts that production and employment must be planned and controlled by government officials elected through direct political action by a class-conscious labor movement, are the proven enemies of private enterprise.

The Historic Goals of Organized Labor Are Incompatible With the Success of Private Enterprise

Perhaps the most important reason why no basic agreement on rules is today possible between organized labor and the defenders of private enterprise is not so much the conscious ideology of some of the labor leaders as it is the historic and seemingly inevitable tendency of the labor movement to seek to cripple the efficiency of private enterprise by restraints on production. The labor movement has historically opposed, and continues generally to oppose, the adoption or effective use of the labor-saving devices which reduce the number of employees. The labor movement has historically demanded, and continues to demand, ever shorter work weeks, the rewarding of seniority over ability and performance, the elimination of incentives for better output, the employment of more workers than newer methods require, the retention of craft distinctions which necessarily multiply the man-hours required to produce a particular item, and the imposition of practices disruptive of plant discipline. The goals implicit in all these demands of organized labor are incompatible with the goals of private enterprise.

Individual unions may have forsworn the making of one or more of these types of restrictive demands; but I know of no union which has forsworn all attempts to limit production and has confined itself to economic issues consistent with the need for the greater and more efficient creation of material wealth.

The inevitable result either of a general surrender to this type of union demand or of the establishment of a governmental machinery by which these restraints might be imposed would be to make impossible the success or eventual survival of any private enterprise. The nationalization of major English industries today has been made politically feasible in large measure by the inefficiency resulting from restraints on production imposed by organized labor or adopted by managements forgetful of the reason-for-being of the private enterprise system.

Mutual acquaintaince, tolerance, and good will can at best merely conceal the irreconcilable conflicts between the beliefs and goals of the leaders of organized labor and the beliefs and goals of the men who manage private enterprise. In the face of such irreconcilable conflicts, only explicit statutory enactment could establish the basic rules or standards which would be necessary to the impartial adjudication of labor disputes.

Here lurks one of the great dangers inherent in all proposals for pseudo-judicial solutions of the labor problem. No compulsory arbitration law could be passed today which expressly prohibited the award of any of these restraints upon production. In the absence of such an express prohibition, a compulsory arbitration statute would be simply a device for fastening one after another of these shackles upon private enterprise, until the day arrived when private enterprise could no longer function with sufficient effectiveness to justify its existence, and the advocates of socialization could claim convincingly that private enterprise had failed.

Labor Tribunals A Further Increase in Bureaucracy

But even if some labor court or administrative tribunal could be established which would function with tolerable impartiality and without imposing destructive restraints, the question still remains whether such a solution would be as desirable as an effort to minimize industrial warfare through collective bargaining between two groups brought to an approximate equality by being deprived of loaded weapons. The latter course would minimize the extent of government intervention, while the former would immeasurably enlarge the tasks of government, stimulate the growth of bureaucracy, and enclose within the field of the law another area of freedom. The effect of adjusting labor disputes by man-man rules instead of by the interplay of economic forces would in many unforeseen ways unbalance additional aspects of the social structure. Price control for a time held prices down with barely tolerable efficiency; but its destructive interference with production since the end of the war has demonstrated the foolishness of ever hoping for a high standard of living in a governmentally-controlled economy.

The most convincing argument in favor of attacking the labor problem by reliance upon collective bargaining and a restored balance of bargaining power is the fact that this approach would require the minimum amount of governmental interference. As the representatives of private enterprise, we should be the last to seek a solution of our problems by enacting new laws, by giving our already overgrown government new powers and responsibilities, or by inviting the aid of bureaucrats in the handling of our business problems.

Life Ins. Purchases Up 71% in Sept.

Life insurance purchases in the United States in September showed an increase of 71% over purchases in the corresponding month of last year and were 70% over the aggregate reported for September in pre-war 1941, it was reported on Oct. 21 by the Life Insurance Agency Management Association of Hartford, Conn. Total purchases in September were \$1,710,536,000 compared with \$1,001,268,000 in September of last year and \$1,004,365,000 in September, 1941. The Institute's announcement also had the following to say:

Purchases of ordinary life insurance in September were \$1,125,829,000, up 65% over September a year ago and nearly twice the total in September, 1941. Industrial life insurance purchased in September amounted to \$346,116,000, an increase of 56% over the corresponding month last year and 33% over September, 1941. Group life insurance purchases in September were two and one-half times those of September last year and 47% over those in September, 1941. These purchases represent new groups set up and do not include additions of insured personnel under group insurance contracts already in force.

In the first nine months of the year total life insurance purchases were \$15,935,016,000, an increase of 55% over the first nine months of 1945 and 90% over the corresponding period of 1941. Purchases of ordinary life insurance accounted for \$11,501,791,000 of the nine months' aggregate, an increase of 62% over last year and well over twice the 1941 total. Industrial life insurance purchases represented \$2,989,585,000 of the current year's total, an increase of 30% as compared with last year, while group life insurance purchases amounted to \$1,443,640,000, an increase of 61% as compared with the first nine months of last year.

Outlook for Austria's Reconstruction

(Continued from page 2604)

control could, in the last years before Hitler's invasion, be so loosened that, for practical purposes, freedom of foreign exchange transactions was nearly established. At that time the attention of the world was drawn by the fact that Austria was able to return to freedom in foreign exchange transactions: an achievement which many richer countries were not able to accomplish.

These facts are convincing proof that the Austrian population has shown itself, in economic matters, to be capable of action and very adjustable; and that therefore, despite the enormous losses during the first world war, and after its end, it was possible to bring the economy again up to an impressive level. To be sure, the standard of living in Austria in the period before Austria's invasion was not comparable with the average standard of living of the rich countries. Nevertheless, the living standard in Austria was in general endurable. Unemployment, which was indeed a source of deep concern, was to be attributed, in considerable part, to the blocking measures adopted by the German Reich for political reasons against Austria.

Problem More Difficult Now

If we compare the economic situation of Austria at present with that prevailing before the second World War, it is clear that the disappearance of commodities from Austria is this time incomparably greater than it was then. Particularly those parts of Austria which served immediately as battle fields, suffered, during and after the war, disproportionately more than they did as a result of the impoverishment experienced in the first world war. The problem is this time much more difficult than last time. The situation has been made enormously more difficult by the further fact that frightful misery prevails in such wide areas of the rest of Europe, and that only very few European areas were able to maintain a standard of living which corresponds approximately to that of the pre-war period.

Favorable Elements

But there are also some elements to be mentioned which are more favorable at the present time than they were after the first world war. Among these I include, on the moral side, the attitude of the population in a number of important neighboring areas toward Austria. During the period after the first world war, there were still remnants of the dislike which had been felt in many of these areas toward Austria, and the lack of knowledge in which the more remote outer world often found itself with respect to Austrian conditions and their causes. At the present time, fortunately, a dislike such as prevailed in the earlier period is not longer to be found, or is to be found only in certain of the neighboring territories. In general there is an awareness that Austria, with its mentality in favor of uniting peoples, was the first sacrifice to Hitlerite aggression, and that, if many sons of Austria had to shed their blood in the armies of Hitler, their participation in the war arose from a remorseless compulsion and not from their own desires. In the more remote foreign countries people are certainly today incomparably better informed about conditions in Austria than they were at the beginning of the 20's. The presence of the armies of occupation, for such a long time, on our territory is itself providing a more intimate knowledge of our country and its population. Moreover, attention should be called to the fact that the relief measures which were undertaken after the first world war were improvised, whereas this time the relief contributions in favor of countries which have suffered severely from the war and its consequences, have been prepared on a broad scale.

The Economic Field

In the economic field it must be further noted that in two important fields, in the meantime, a considerable development has taken place in Austria. This applies first of all to the production of electrical energy through water power. In Austria 1,628 million kilowatts were produced in the year 1937, whereas in the first half year of 1946 alone, 1,275 million kilowatts were produced in this way.

In the field of oil production, the Austrian production figures, expressed in thousands of tons, were: 1937, 33; 1944, 1,213; and in the year 1945, despite inactivity lasting for months, 453. At the present time the monthly deliveries amount to around 80 to 90 thousand tons. As the result of the opening of these important sources of energy, Austria is even now in much smaller degree dependent upon coal imports from abroad than it was previously. Moreover, the opening up of still more far-reaching sources of energy both through the use of water power and through the production of crude oil has been prepared for, and the development of these additional sources of energy requires only a planned continuation and completion of the works now at hand. With respect to the development of productive sources of energy the future provides encouraging vistas.

Of course the external conditions must first be established, in order that the possible evolution may become a real one. Since spring of 1945, despite the division of Austria into zones of occupation by four great powers, and despite the catastrophic conditions in which, at the beginning, transport and personal freedom found themselves, unquestionably significant progress has been made. It was possible at the end of 1945 to put the schilling again, as a distinctive Austrian currency unit, in place of the Reichsmark, which could have streamed into Austria in unmeasured quantities; trade with abroad, despite great obstacles, has been started again even though on the smallest scale.

For An Independent State

We confidently hope that the unanimously expressed will of the great powers to make Austria a really independent state will become a fact. The Austrian population has shown that it is making energetic use of the democratic forms which the present demands. The election to the Austrian Parliament took place, in November 1945, in all calmness, and an Austrian government was set up, on the basis of these elections, in the strictest accordance with democratic methods. To be sure, its effectiveness is hampered, at the present time, by the fact that its measures are under the control of four occupying powers, and in each zone of occupation the military power claims a jurisdiction which does not have to stop before Austrian legislation and Austrian governmental measures. The significance, from an economic standpoint, of the military occupation of Austria is shown crudely by the fact that of a bank note circulation of S. 5,133 millions, not less than S. 2,605 millions had to be paid to the occupying powers. It is high time that these obstacles to our development should disappear.

Relief Needs

The great need for foodstuffs and the basic articles of consumption, raw materials, and means of production has led to large-scale relief activity, especially from America and UNRRA, which have benefited Austria. The desperate situation of Austria nevertheless continues in a comparable degree because the Austrian economy is hampered in its development, to a serious degree, by the division of the country into four zones of occupation, the burden of occupation costs, and the limitation of the authority of the Austrian government in its development. We could have been able to use the past one and one-half years much more effectively for the starting up of our economy and for the production and distribution of important consumer goods if we were not bound by the above mentioned impediments. If we shall again be able to move, our need for help, I have no doubt, will decline very considerably. We shall export to an increasing extent and thereby be able to import, by our own strength, consumer goods and the other objects that we need. No doubt our industrial apparatus, from which so much material has been taken by the events of the war and their consequences, will again require new investments. This applies especially to the eastern parts of Austria, which were most exposed to the horrors of war.

The calculation of the amount of money which Austria needs for its reconstruction requires computations which can hardly be made, for the time being, because the interpretation of the Potsdam provisions has not been agreed upon among the allies, and we therefore do not know what part of our industrial apparatus and of agricultural production may yet be withdrawn from the Austrian economy under the head of reparations to be paid by Germany. Austria is convinced that the Powers which have decided unanimously upon its reestablishment will also come to recognize that those Austrian properties which the Hitler regime took away from Austria cannot be regarded as legitimate German property. If these measures of the German Nazi regime, taken with violence and fraud, are to be regarded as null and void, it follows that the properties cannot be turned over to claimants to reparations from Germany, but are to be returned to the Austrian economy. Only when full clarity is established on this point will it be possible to set up a clear economic calculation. Nevertheless, the Austrian government is in the process of determining how high the most pressing capital needs for the rebuilding of the economy of Austria will be, if a correct interpretation of the Potsdam decisions will be assured.

The High War Cost and British Foreign Trade Policy

(Continued from first page)

and purchases of war supplies in almost every quarter of the globe, we incurred indebtedness in the sterling area equal in value to five or six times our pre-war yearly export income. And not only is there this great back-log of debt to be made good; we will continue to run up a deficit on current account until our exports have expanded sufficiently to pay in full for our purchases overseas.

The result is that Britain is now a debtor nation instead of a creditor. No longer is she in a position to grant large, long-term loans. Instead she herself is faced with an overseas payments problem of the first magnitude. It has been estimated that in order to do no more than simply regain pre-war standards of living the people of Britain must send abroad a volume of goods 75% greater than they did before the war.

Export Policy

The emphasis in Britain then is on exports. The quantities of goods available to our domestic consumers are slowly rising, though we still have to maintain rationing of clothing and a priority system of distributing some other scarce goods. As far as overseas customers are concerned, however, exports of chemicals, rayon, electrical goods, cutlery and hardware, nonferrous metals and china and earthenware are all more than half as great again as before the war. These and other important groups of exports will have to do even better than this if they are to make up for the decline in some of the older British industries, notably coal and cotton, and if the 75% overall increase is to be achieved and — more important—maintained.

The government had originally planned to regain the pre-war volume of export by the end of 1946, but their brightest hopes have been exceeded. In the second quarter of this year the volume of British exports rose to within 2% of the pre-war level and, despite the effects of the holiday months of August and September, they rose in the third quarter to 4% above the 1938 volume.

In order to encourage exporters in the task of achieving the goal that has been set them and to facilitate the movement of goods to overseas markets, it is the government's aim to lift the wartime controls as soon as the supply position permits. There are of course supplies of certain commodities — food and coal, for example — which are still so scarce that in order to ensure a fair distribution throughout the world it is necessary to continue the wartime practice of allocating available supplies, on a country basis, by the International Emergency Food Council and the European Coal Board. In addition, certain essential goods in short supply are still subject to some form of market allocation. The system of allocating a specific quantity of such commodities to countries wholly or mainly dependent on the U.K. for supplies was developed during the war. It still applies to certain goods — tyres, for example—but on a rapidly diminishing scale, for it is the policy of the government to free the export trade as much as possible, provided such freedom does not conflict with a fair distribution to the countries most in need of those commodities which are in short supply. Then there are Britain's contributions of relief and rehabilitation supplies to liberated areas and also shipments to British troops abroad. Together these account for about 5% of her monthly volume of exports.

But the supply position has eased over a wide range of goods and many of these have been removed from the scope of export licensing. In consequence, the U.K. private exporter, through whom virtually all British export trade now passes, is free to sell such goods to whatever market he chooses. The present policy is to give the individual exporter the maximum possible freedom to cultivate his own markets in accordance with his special aptitudes.

Import Policy

The effects of the war have forced Britain to initiate a great export drive. In the import field the effect has been equally marked but in a different direction and, for the present, we are in general forced to restrict imports to bare essentials. It is a policy which is directly contrary to our desires, but owing to our balance of payments position the facts are that we just cannot afford to import anything but basic necessities. The token import agreement made this year with the U. S. A. by the British Government indicates our willingness to open the door again to nonessential manufactured goods when we are able to do so.

Britain still buys more from the rest of the world than any other country, but our rate of import is running at less than 70% of the pre-war volume. All but a minute fraction of Britain's imports today come within the "necessities" class — food, raw materials, technical equipment. It has been estimated that, over the first six months of this year, of every one pound's worth of goods imported, ten shillings represented food and drink; seven shillings raw materials and industrial equipment; one shilling and sixpence petrol; one shilling tobacco and the remaining sixpence accounted for all the rest.

As long as our present difficulties persist the British Government is therefore forced to exercise a far more rigid control on the import side than is the case with exports, and a large amount of Britain's import business is now conducted on government account. Foodstuffs for example are mainly purchased by the government and raw materials largely so. There is, however, a vast range of commodities imported into the United Kingdom by the private trader, but subject to the issue of import licenses.

In the case of markets in primary products the government is examining each case on its merits. With cotton, for example, it was decided to continue bulk purchasing; in the case of rubber, as I anounced recently in the House of Commons, it has been decided to restore private trade to permit the re-establishment of the London rubber market.

Expanding World Trade and Full Employment

The nearer Britain approaches equilibrium in her balance of payments the greater will be her ability to purchase an increasing quantity of goods from abroad. But to achieve equilibrium she must reach a 75% increase in exports, which means that on a prewar basis nearly one third of total world exports of manufactured goods must be hers. This is manifestly impossible; before the war her export trade in manufactures was about 18% of that of the whole world.

The solution, then, lies in an expansion of world trade. Britain has a vital interest in the successful solution of the problems now being discussed at the International Trade Talks in London. If the channels of international trade can be cleared of restrictions, if a high and stable level of demand for goods and services can be ensured, if exchange stability can be maintained, if, in a word, the total trade of the world can be greatly increased, then Britain can achieve the volume of exports she requires to pay for a full-scale volume of imports and thereby contribute her full share, both as producer and consumer, to the raising of living standards at home and throughout the world.

The maintenance of full employment is a vital element in the policy of the British Government; but we believe that that objective in any one country may well be frustrated unless all other major industrial and trading nations are likewise maintaining full employment without exporting unemployment. Further, we believe that unless adequate steps are taken to ensure international action in this field, the results hoped for from the reduction of trade barriers will not be fulfilled; equally we hold that without the reduction of trade barriers, full employment will not make its maximum contribution to raising standards of living throughout the world.

Marketing Outlook in 1947

(Continued from page 2607)

rely to some extent on statistics and facts in presenting to you my concept of the outlook for business from the standpoint of distribution and marketing. But before I start talking about the future, I would like to review briefly with you some of the events of the past and to take a good, hard look at the present.

Division of Postwar Era

During the war, we mentally divided the postwar era into three parts: the period of reconversion, the period of catching up with accumulated demand and the period of self-sustaining economy. We have passed through the first of these periods in such an amazingly short time that we have exceeded the fondest dreams of many of our economists. The whole world looked on in astonishment as American industry began turning out the products of peace only a few hours or days or weeks after the products of war were pouring forth in a never-ending stream.

We are now in the early stages of the second postwar period, that of catching up with accumulated demand. A year ago, pessimists were predicting that the cancellation of war contracts and the rapid demobilization of the armed forces would result in ten million unemployed and a widespread depression in 1946. Contrary to their opinions, this did not happen. National income payments to individuals are now at the all-time high rate of $167 billion a year. Fifty-seven million people are employed, which is eight million more than in any other peacetime year. As a matter of fact, we have already reached and passed the postwar goals of even the most optimistic economists.

But pessimists are persistent people. If they just keep on forecasting bad news long enough, they are sure to be right sometime. So now they are telling us that we are in for a "boom and bust" period in 1947. This time, they may be more nearly correct, not because supply will catch up with demand, but because increased manufacturing costs and lower man-hour production may force retail prices temporarily to such high levels that people cannot afford to buy the output of our economy, even though they have greatly increased spendable incomes.

Production Crying Need

The crying need today is for production. Anything that retards industrial output or prevents the increased flow of goods from factory to consumer may very well result in a recession which will leave in its wake lower national income and extensive unemployment. But such a trend is by no means a foregone conclusion.

The standard of living in this country of ours was the highest in the world before the war and is now higher. Our production capacity was substantially increased during the war years to provide the armed forces with the materials so essential to victory. Now it can be used to turn out more goods to reduce more quickly the backlog of consumer demand built up during four years of war. Never before in our history have we had so large a labor force available. Furthermore, our population has grown, expanding the size of our markets. In other words, we have more people making more money and demanding more goods. And we have the capacity and the manpower to supply those goods in sufficient quantities. All of the elements essential to continued prosperity are here, if we have the wisdom and the skill to make the best use of them.

Consequently, then, it is by no means certain that we will suffer a set-back during this second postwar period. But if it should occur, it need not be either severe or prolonged. There are too many favorable factors in the picture to justify the forecast of a sharp and long-lasting decline. Money in circulation is at a new all-time high. Millions of families have moved into higher income brackets. Average family income, after taxes and basic living costs, is higher than before the war and is well ahead of price increases in such products as durable goods. Savings are still at a very high level. And we have only just just begun to fill the backlog of needed and wanted products and services.

Surely the outlook for business could not be more favorable from a marketing standpoint. To make the most of it, it is necessary to prevent inventories from becoming excessive, to increase productivity per man-hour, to keep costs as low as possible and to see that prices are no higher than they need to be. Otherwise, even though incomes have risen faster than prices, goods will become too high for the consumer's pocketbook. The real danger is not that we may exhaust our backlog of needs or that buying power may collapse, but that the price structure may become so inflated that a swift and disorderly downward readjustment may occur. Indeed, I believe that we have much more to fear from a rapid acceleration of the present boom trend and a subsequent rapid deflation than from a recession from other causes.

Naturally, we all hope that any price declines will be gradual and come in an orderly manner. Otherwise, we may get into one of those spirals, inspired by panic which will drop prices as far below their proper levels as they were above them. But even if this should occur, I do not think the consequences would necessarily be too painful, because the accumulated demand for products and services would still be so large that prices could quickly recover.

Backlogs

There has been a lot of talk lately about the size of the backlogs on which we are depending to keep our economy at a high level during the present period. Of course, backlogs are going to last longer in some lines than in others, but, generally speaking, they are still very large. In many fields, they are just beginning to be whittled down. We have only to think of the housing situation to realize the number of years it is going to take to satisfy the need for construction. A similar situation prevails in the automobile industry and over a broad range of producers' goods as well as durable consumers' goods. Then, as backlogs of durable goods are filled in one line after another, industry will start filling the smaller, but vitally important, backlog of non-durable goods. And we must not forget that backlogs exist in services, too, such as transportation, recreation, medical care, hotels and communications.

From this picture it is easy to see that the nation as a whole will not enter into the third postwar period, that of a self-sustaining economy, on any definite day or, indeed, in any definite year. The transition will come industry by industry and line by line. It may take many years before EVERY business will be in this period. But no matter when it comes, it will mark the beginning of a critical era in the history of our country.

Since we shall probably enter gradually into this final period in which our economy must sustain itself, we should be able to avoid any sharp depression. As a matter of fact, if we can find the way to stabilize our living standards at a sufficiently high level, we should be able to keep most of our productive capacity busy, furnish jobs for a very high percentage of our people, and prevent a serious business recession. The problem, then, will be to maintain a high level of current demand.

Factors in Success

Whether or not we shall succeed will depend largely on three factors: how good a job management and labor do in producing goods efficiently; the kind of environment that business has in which to operate; and how successful industry is in developing new and better products and marketing them aggressively at low prices.

The potential demand will be tremendous. People will want and need the products of a very high level of employment. In the unfilled needs of our own people we have all of the new "economic frontiers" we can handle for many years to come. Even though our living standards have been far higher than any other nation, many of our citizens have lived under sub-standard conditions. If we can find a way to distribute more of the good things of life to this portion of our population, we shall have a market which in size and permanence will far exceed the present huge war-born backlogs.

There are a number of theories for raising living standards. Personally, I subscribe to the idea of high production as the first requisite step. Obviously, if goods and services are not available, people can not buy them. The more we as a nation produce, the more we as a nation *can* possess. The second step is to distribute the output of our factories so efficiently that we as a nation do possess more.

Today, when people are waiting to buy anything and everything that our economy can produce, distribution is not a matter of too grave concern. But in the period of self-sustaining economy which is to come, distribution will become a more vital factor in American business than ever before.

Whether this new era toward which we are heading will be better or worse than that in which we formerly lived is largely up to those who will have the responsibility for distribution and marketing. Never before have they been confronted with such a challenge to their ingenuity and skill. Before the war, they worked wonders in making the American system of distribution the most effective and most efficient in the world. But during the war, although they were faced with many difficulties created by the draft, short supplies and dealer problems, they did not have to practice rigid economy nor did they have to meet hard, competitive selling, such as they encountered in pre-war days. They have become used to looking at sales figures that have climbed higher and higher each year and they have been looking with great satisfaction at percentages of expense to sales, which are at an all-time low.

The facts are that extraordinary demand, plus price increases, have accounted for a large portion of the dollar sales increases; and that the proportion of expense to sales can drop in a period of rising sales volume, even though the organization may actually be extravagant.

After the first World War, conditions were, in many respects, similar to those today. In his book entitled "Men and Rubber," my father painted a vivid picture of the lush expansion and easy sales which our organization went through in those days. He said, and I quote:

"In common with most other manufacturers, we did not have to sell. However, we imagined that we were selling, for the constantly rising prices disturbed our old comparisons . . . and . . . it is no wonder that we fell in with all the ingenious notions for sales organization.

"Every change we made in sales methods brought results—and proved the new method. We did not know that we would have shown as startling an increase had we abolished our whole sales force, closed all our branches and dealers, and just sent our tires in freight cars to be thrown off on sidings and taken away by clamoring buyers.

"Many of us imagined what was happening, but our pride would not let us admit the true condition, and hence the sales department had the leisure to devise fancy trappings for itself. In ordinary times, one has to get along with things far short of the ideal, but in those days we had to have absolute perfection. That was the postwar cry everywhere."

I shall not go on with father's account of how we came in due time to a correction of this state of affairs. But some time ago, with his experience in mind, I took very definite steps to see that, after World War II, our organization should profit by this lesson.

I knew it was going to be difficult for us to get back into the good habits of hard selling and rigid frugality. So, our watchword for this year and for next year is "Learn to Sell Again, Learn to Save Again." By reforming these good habits now, we hope to be able to put our organization in a position of preparedness for the days ahead when our industry moves out of the catching up with accumulated demand period into the period in which we hope our economy will be self-sustaining.

We are also taking another step which we believe will be of great benefit in the critical days ahead. We are putting more emphasis on sales training. In other words, we are not only *telling* our people that they must "Learn to Sell Again and Learn to Save Again," but we are *showing* them how to do both of these things. We are well along on what we believe is a practical, brass-tacks program of giving the many new people in our organization the instruction which they must have if they are to succeed in the competitive period that lies before us and, at the same time, we are bringing our older employees up to date on these fundamentals.

But the long-range planning job which business faces must go far beyond these basic measures. New and better products and services must be developed without delay. It takes time to perfect them, to market them and to create a demand for them. They must be ready by the time we are faced with the change from a sellers' market to a buyers' market. If the economy of the future is to be on a higher level than before the war, our nation's business must expand, and this can happen only to the extent that all businesses in the nation are able to grow.

These new and better products and services must be sold aggressively. This means that individuals engaged in selling must be taught to do a stronger and sounder selling job.

Markets must be broadened by making more and better products available at lower prices. To accomplish this objective, a close and careful study must be made of methods of distribution. This does not necessarily mean reducing the total cost of distribution. I am speaking only of its cost per unit. This can be done not only by eliminating needless unproductive expenses, but also it may be accomplished by spending more money on sales efforts which are productive.

To meet the challenge of the self-sustaining period ahead, we are handicapped by a serious shortage of men trained in the science of distribution. Comparatively few institutions of learning have comprehensive courses of study aimed at graduating a student qualified to enter into distribution as a vocation. A young man today has the choice of hundreds of schools which grant degrees in chemistry, mechanical engineering, civil engineering and many other subjects which will fit him to become skilled in various phases of manufacturing. But if he intends to follow distribution as a vocation, he must acquire most of his training after he leaves college, by working in one or more of the marketing organizations now established or in the market research division of some industrial concern. Only after years of on-the-job experience can he qualify as an expert in this field.

Consequently, if we are to be prepared for the continuous long-range planning which will become an essential part of every well organized business in the future, we should begin at the grass roots by fostering and encouraging young men to consider the science of distribution as their life work and by persuading universities and colleges to offer regular courses of study, which will eventually result in the granting of degrees in market research, sales management and other phases of distribution.

The people of this country have reawakened to the realization that we have the world's highest standard of living, not by mere chance, but because we have built upon the foundation of free enterprise. They know that people of every race and color and creed are eager to leave their homelands and start life anew over here in this country because they look upon the United States as the land where opportunity is not limited, where a child of humble birth can aspire to his highest ambition and, if he has the will power, the ability and the courage, he can make his aspiration come true.

That is the world's concept of this country of ours. In recent years, the temptation to try certain experiments, however noble, has placed limits on ambition, on opportunity and on ability. Recent developments indicate that we are returning to the original concept of a free nation, a land in which a man may rise as high as his will and his skill will permit.

Once we regain this freedom, the mantle of responsibility for providing full employment and maintaining and expanding the standards of living will again rest upon the shoulders of private industry. If free enterprise is to survive, industry must succeed. And a large measure of its success will depend on its ability to distribute the products of the factory, the forest and the farm, economically, efficiently and intelligently, so that *more* people may enjoy *more* of the good things of life.

Murray-Jacoby, Blank Co.

Murray-Jacoby, Blank & Co. is engaging in the securities business from offices at 120 Broadway, New York City. Partners are E. Blank and C. Schiels, general partners, and Herman Murray-Jacoby, limited partner. Mr. Murray-Jacoby formerly did business as an individual, and Mr. Blank and Mr. Schiels were associated with him.

Howard A. Prior Opens

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Getting Back to Normal

(Continued from page 2607)

which automobiles are now being sold. Moreover, if we let the ease with which new agents can now be recruited induce us into putting under contract large numbers of men who are ill-equipped and unsuited to sell insurance, it will not be long before all the old agency problems that were with us in the 30's will be present again. But, as agency executives, no doubt you are alert to this aspect of your problem and are more familiar with it than I. Accordingly, I am not going to discuss it further. May I say, however, in passing, that I do hope it will receive proper attention during the meeting. You cannot afford to ignore it.

War Created New Demand for Insurance

Everyone, of course, is familiar with the fact that the war caused a backed-up demand for products such as refrigerators, radios, automobiles and houses that will take some years to fill. But, few people stop to think that one of the results of the war was the creation of an additional need for life insurance which it likewise may take several years to meet. Superficially looked at, it does seem strange to say that the war created a demand for new insurance when the sales of private life insurance did not fall off materially during the war years and when the Government itself wrote new insurance on the soldiers to the tune of several billion dollars.

In fact, at first glance there was some reason for thinking that the large amount of Government insurance sold might restrict the market for private insurance and make selling more difficult.

And, you may remember that at one time during the conflict there were some students of insurance who feared that the sale of Government insurance to the veterans might actually cause a decline in the amount of private insurance sold after the war was over. Current sales, of course, have already shown how wide of the mark such a forecast was. A large amount of Government insurance is being kept in force by the veterans and still our new business is breaking all previous records, certainly a most satisfying situation.

The following questions naturally present themselves:

1. To what shall this really phenomenal record in the current sales of life insurance be attributed?
2. Just what constitutes the backed-up demand that these sales are filling?
3. Where is the money coming from that pays the premiums?

Briefly stated, the high volume of insurance which was sold during the past year (and which is currently being sold, although I think with somewhat greater effort than earlier in the year) and the really surprising amount that was sold during the war years was made possible by the same thing; namely, the phenomenal increase in savings by individuals which resulted from financing the war. The Securities and Exchange Commission estimated that from the middle of 1940 to the end of 1945, the total of such savings aggregated $157 billions. This is a figure about equal to the total amount of insurance in the country. Monetary savings were so great during the war and investment outlets other than Government bonds were so few, that in order to keep these savings from overwhelming our companies, maximum limits on the amount of single premiums and discounted premiums that the companies would accept had to be put in force. During this period of time, also, the national income measured in dollars showed a phenomenal increase and today is currently at an all-time peace high. The Department of Commerce estimates that total income payments are running at the rate of about $170 billions per year. In brief, there has been the wherewith-all to pay for an increased volume of life insurance, whether measured by the amount of accumulated past savings or whether measured by the current flow of national income.

Now, let us see what the war did to the need for additional life insurance. Depending upon what index is used, the purchasing power of the dollar has decreased somewhere between 35 and 40% since 1940. It must never be forgotten that, while our contracts are written and payable in dollars, the real protection that they afford the beneficiaries of the contracts must be measured in the amount of goods and services the dollars will provide. It should be crystal clear, therefore, that the price increase caused by the war in itself made a demand for an additional amount of insurance of at least 40%, if the people of this nation are to enjoy the same real insurance protection that they enjoyed before the conflict began.

This is what I call the backed-up demand for insurance resulting from the war. This demand to date has not fully been met even by the phenomenal sales of the last twelve months. If you want to decide whether your own company has filled this backed-up demand, see whether it has in force at least 40% more insurance than it had in 1940. If it has, it has just taken care of the demand created by the rise in the price level, but it has added nothing to take care of the growth of insurance needs during those years, and during this period our population increased by about 10 millions and the number of marriages reached an all-time high—all because of, or in spite of, the war—I know not which.

We may now summarize the principal changes in the market for insurance resulting from the war, as follows:

1. Assuming the nation was adequately insured at the outset of the war, to compensate for the decreased purchasing power of money alone calls for an increase of at least 40% in the total amount of insurance in force.
2. The increased monetary savings resulting from financing the war, together with the increase in the amount of our national income, has made it economically possible to carry this additional 40% of increase without too great a burden on the nation's pocketbook. It has, in fact, made it easier to sell insurance than it was before the war because currently a smaller percentage of the national income is going into life insurance, than was the case before the war.

In a very real sense, therefore, life insurance today is passing through what may be termed a period of reconversion similar somewhat to that of other forms of business. Present sales are both filling current needs and also a backed-up demand caused by the war. When this backed-up demand has been fully met, then, like the sales in other lines of business, the volume of insurance sold will be determined by the growth of the country and will depend upon current savings from current national income, together with the degree of success that our sales have in channeling these savings into insurance.

If I am correct in my analysis of the situation thus far, that the amount and ease with which life insurance will be sold in the years immediately ahead will primarily depend upon the growth of the national income and the amount of the nation's savings, this brings us to a consideration of the factors which will determine the level of the national income and the amount of the nation's savings for the coming year. Inasmuch as the national income is expressed in dollars, we have to form some idea, first, as to the amount of physical production that will be turned out by our farms and factories in the days ahead and, second, the price level at which these products will be sold. To arrive at any idea about these factors, we must make some guess as to whether or not a business recession or depression is ahead, or whether the prosperous conditions of the moment will continue on quite indefinitely in the future.

But, before giving reasons for or against expecting a business recession to occur sometime during the coming year, I want to set forth briefly what was responsible for the huge monetary savings that took place during the war and why it should be crystal clear that no such amount of savings will take place during the next few years. I don't want you to build any agency plans in the expectation that this nation is going to have savings to the extent of $40 or $50 billions per year in the future. If you do, you are going to overbuild and will have some retrenching to do in the not too distant future.

Origin of War Savings

In a very real sense, the savings that resulted during the war were "phony" savings. They were not savings in any real sense, if savings are defined as additions to the physical wealth of a country. They were merely "monetary" savings. The physical goods that should have been back of them to give them substance and real worth were war goods—goods that were destroyed and wasted in battle. And, when the destruction was over, all that remained with us were the "monetary" savings in the shape of increase in currency in circulation or in bank deposits. There were no new public utilities built, nor railroads improved, nor factories erected to back up and give real value to these savings. Our physical plant remained quite the same with the exception of some war industries, while our inventories of consumer goods were drastically reduced. All that was increased was our money supply.

Perhaps I can make this clearer if I explain briefly just how the increase in currency and bank deposits took place. When a commercial bank made a subscription during a war loan drive, all it did was give the United States Treasury a deposit on its books to the amount of its subscription. Between bond drives, the Treasury proceeded to spend this deposit. In substance, it wrote checks against it in favor of individuals or corporations. As the Treasury checked out its account in this manner, the individuals or corporations to whom it gave the checks, in turn, cashed them and took currency, or redeposited them in the banks of the country. The net result was that after each and every bond drive, bank deposits and currency in circulation together showed an increase almost to the identical amount that the commercial banking system subscribed to the war loans.

Increases in bank deposits and currency brought about by such deficit financing are not real savings in any fundamental sense. They are only rights to demand goods, or, put in another way, claims against future production. They are the inflation potential that the war created. It was the increase in these claims on goods in the shape of an increased monetary supply or its equivalent that was the bottom cause for the price rise since the war began. Is it not pathetic that those who are today receiving the benefits of previously sold insurance are being hurt by the very same forces that are making our current sales so high?

This distinction between "monetary" savings which accumulate when the Government is doing deficit financing through the banks and real savings that are built up when the budget is balanced cannot be made too strong. The Federal Budget, we hope, at last will be in balance during 1947 and, if it is, bank deposits and currency need not be increased by Government action. They will only increase if the demands for business expansion call for an increase. The rapid piling up of "monetary" savings caused by deficit financing should be nearing its end. And this is a "consummation devoutly to be wished," for the continuation of such massive "savings" for another year or two would be running the danger of "saving" the country right into bankruptcy.

The honeymoon period of selling life insurance is drawing to a close. It may last for a few months longer but its life expectancy, as our actuaries would say, is not long. In the days ahead, as the country gets fully adjusted to the increased monetary supply and as the accumulated war savings find their more or less permanent place in our financial structure, they will no longer spill over into insurance. When this takes place, future sales will then mainly be paid for out of current income and savings. But sales will still be high for they must be at least 40% higher than prewar to take care of the increased price level allowing nothing for growth. They must also be 40% higher if our salesmen are to maintain their own standard of living. This is going to be a mighty force to make the average policy sold in the future larger than it was in prewar years.

During the decade of the 20's and the more prosperous years of the 30's, this country probably saved about 10% of its income. We can look forward, therefore, during a year of normal business activity when consumer goods are abundant in the market, to savings by individuals somewhere between $14 and $15 billions, less than a third of what they were during the war. Currently they are running somewhat higher, but this may well change when opportunities for spending are more abundant. When this period of transition with its phenomenal sales through which we are now going is over, insurance will have been converted to a peacetime basis and "the good old days" with all their problems will be with us again. In the meantime, if you have overdone your agency expansion, taken leases on high rent offices, and contracted to pay too much for the development of new territory, you may well find yourself embarrassed with a budget out of balance.

Business Outlook for 1947

As the amount of national income and current savings are the two most important factors governing the sale of insurance, this brings us to the question, what is the near term outlook for business? Is it likely to continue at its present high level of activity and on the same price level, or are declines in production and prices to be expected?

There is no doubt but that the drastic decline in the stock market since early in September has given rise to a fear that a business recession will take place during the coming year. This fear is quite generally held in spite of the current high level of income payments, the huge backlog of savings, and the still remaining scarcity of goods that exists in most lines of production. Let us see, therefore, what reasons can be given for thinking that business recession is in the making during 1947.

While these reasons could be broken down under many headings, the most important ones, it seems to me, can be grouped under three:

1. Costs and prices are too high and some readjustment will have to be made.
2. The labor situation is hopeless and there is little chance of it getting better in the near future.
3. Inventories are getting too large and there may have to be some slowup in certain lines in order to work them off.

The inventory situation may be more dangerous than is commonly belived. While the total amount of inventories may not be unduly excessive when measured by volume of business, their growth and composition are somewhat alarming. Manufacturers' inventories, according to the Commerce Department totalled 18.8 billions on Sept. 30, a rise of 2.8 billions since Jan. 1. Of this gain, nearly 65% took place during the three months of July, August and September. Likewise, inventories in the hands of wholesalers as of Oct. 1 were about 45% more than a year ago. It is probably the composition of these inventories that is fraught with more danger than their total amount. A good deal of evidence is present for thinking that they are made up of excessive amounts of certain parts and materials and with very little of others; in short, that they are unbalanced. Inventories of this composition can become excessive and at the same time hold up production. For instance, unless automobiles have batteries, they cannot be distributed. Or, if the automobile companies have ample inventories of everything except sheet steel, they have to close down, as has recently been the experience of some.

The inventory situation while not altogether satisfactory would not alone be alarming if the price situation were more satisfactory. There is a good deal of reason for thinking that the present price structure, brought about by changes which occurred during the war and through ill-advised OPA restrictions, contain so many maladjustments and rigidities, that it will be impossible for a considerable period of time ahead to maintain full production unless a considerable adjustment is made. By and large, this adjustment must be downward with the exception of freight rates and of the wages and salaries of the white-collar workers. Consider for a moment the railroad situation where our largest railroad system, the Pennsylvania, carrying the largest volume of traffic, both freight and passenger, that it has ever carried in its entire history, is going to run in the red for the first time in 100 years. In fact, 54 of the class one railroads of the country failed to earn fixed charges during the first nine months of this year. This is a situation worse than that of the depression days of the early thirties.

Likewise, recently in the starved field of housing construction, in spite of all Mr. Wyatt's attempts to bolster it up, there has appeared to be a growing reluctance on the part of builders to make new commitments for housing after the present ones are being brought to completion. Unless present exorbitant costs of construction are reduced, costs which reflect not only an increase in wage rates and building materials but also are due to an inefficiency of labor, I suspect that the building boom will be slow in materializing.

Prosperity in this country mainly depends upon three industries—construction, railroads and automobiles. The immediate outlook for the railroads, as I have indi-

cated, is dismal. In building, the costs of construction are so high that currently houses are being built to sell for $10,000 that would have sold for not more than $5,000 to $6,000 in 1940. The outlook for the automobile industry is likewise not too rosy. While there still remains a waiting list for new cars even at today's high prices, there is a good deal of doubt whether present costs of producing cars have not priced them out of the mass market. Moreover, there is little chance of any immediate reduction in the price of cars inasmuch as the companies are currently being faced with demands for increased wages. In fact, the immediate outlook is for higher prices.

Time is short and perhaps I can summarize the unsatisfactory labor and price situation by saying that the increase in wage rates of last spring coupled with the decline in labor efficiency has caused costs in many lines to increase so much that they have outrun prices. This situation would normally be met by manufacturers raising prices. But, today it is doubtful if the market will stand a further increase in prices to consumers in order to compensate for these increased manufacturing costs without severely restricting demand and actually pricing goods out of the mass market. In the end, such a price increase would lead to less sales and eventually unemployment for there is no way to widen the market for a product except to lower its price. Our experience in the production and sale of automobiles before the war clearly proved this.

Moreover, the increase in costs and the price rises that have already taken place has lead to a postponement or curtailment of proposed plant expansion to the extent of hundreds of millions of dollars. In Wilmington, Delaware, alone, General Motors has failed to open up a new plant it started to build in 1945, and the DuPont Co. has postponed two large building ventures. The number of such cancellations of proposed plant expansions throughout the country must be many and the amount of money involved, stupendous.

The labor-management relation at the moment could hardly be worse and there is little reason for thinking that it may not get worse during the next few months before it gets better. With strikes in the coal mines and in our automobile factories a distinct possibility, there is certainly a good chance that the country may have to experience another such period as we went through last spring.

We have no doubt come to the end of the road in the attempts to buy off strikes by increasing wages that automatically increase prices. In fact, our whole price structure is probably too heavy on the top side already. There is little doubt but that many prices, particularly agricultural prices, are too high in relation to the long term supply and demand factors, and a readjustment is certain to take place. Given another year of good crops, it is almost certain that the Government's problem after 1947 will be to make good its promise to keep agricutural prices at 90% of prewar parity for the next two years. Butter at 90 cents and beefsteak at $1.00 per pound has taken the public's mind from the real facts in regard to agriculture production. The Department of Agriculture has just reported that the physical volume of farm production for this year will be 2.5% above the previously historic pick of 1942 and 26.4% above the ten years' average 1923-32. Corn and wheat will be record crops for all time and total livestock feed will be 4% above the 1942 record. Record citrus crops are in prospect. Tobacco production has reached a new high and beef, hogs, dairy cattle and poultry will be in abundant supply. I have no hesitancy at all in predicting that by 1949, given good crops, our agricultural problem will again be how to get rid of the surpluses.

It must also be remembered that every rapid price increase such as we have had during the last two or three years carries with it the seeds of its own destruction. Maladjustments between prices and incomes are always created and large numbers of people, including white-collar workers, teachers, professional persons, the aged, and all those living on pensions, interest or the accumulation or previous savings, do not have their incomes increased and feel the pinch of high prices and their buying is reistricted. In short, the high prices curtail the market and, while a real buyers' strike may not take place, sales resistance is markedly increased. This is already being felt in many lines and is certain to be felt increasingly in the months immediately ahead.

Again, there is a weakness in our present high level of sales and production in that they have been overly concentrated during the past year on perishable consumer goods commonly called "soft" goods. My guess is that the pipelines are already pretty filled up with these types of goods in spite of the fact that there seems to be few of them on retailers shelves. When their demand falls off, if the demand for hard goods does not increase correspondingly, a business recession will certainly take place.

It would seem, therefore, that there are plenty of reasons for thinking that some business recession is inevitable in 1947.

But, I do not want to close on a pessimistic note. For the longer pull, there are many valid reasons that can be given for thinking that this nation has a long period of business prosperity ahead of it. Given some price correction, and, in the main, the correction must be on the downward side, improve the efficiency of labor, remove the remaining government controls, balance the Federal Budget and, yes, reduce taxes, all of which things are not impossible of fulfillment in the next two years, and there is good cause for thinking that this country should go through a period of such growth and prosperity as it has seldom seen in the past. Without attempting to list all the reasons for this optimistic point of view, certainly the following are sound and of major importance.

1. There exists today in this country a huge demand for goods and services of all kinds, nor merely for perishable consumer goods alone, the extent of which has probably never been seen in our history. The bottom reason for this huge demand, which is not emphasized enough, is to be found in the rapid growth of our population and in the number of marriages that have taken place during the past six years. Contrary to the expectation of our authorities on population growth, this country had the largest increase in population between 1940 and 1946 than it ever had in a similar period. There are approximately 10 million more people living in this country today than there were in 1940. Many respectable nations do not have a population so large as this increase.
2. There is every reason for thinking that the growth in plant and equipment, housing, and construction of all kinds has neither kept pace with this increase in population, nor with the growth in industrial technique which has made obsolete so much of our existing plant and equipment. This nation is underbuilt in everything—houses, factories, apartments, hotels, schools, roads and public utilities. It really staggers the imagination to think of the demand for labor and for capital which this construction will necessitate when once it gets under way. A recent study of the Federal Reserve Board estimates $20 billions per year for the next three or four years will be needed for this purpose. I think the estimate conservative.
3. Not only is there the need for the products which I have just mentioned but, by and large, there is the purchasing power in existence to buy them. Liquid assets of individuals increased from about $50 billions before the war to over $130 billions today. Capital is abundant, interest rates are low, and there should accordingly be no difficulty to finance long term capital improvements. And, there are many such improvements already in the blueprint stage, for during the war a great mas of technical improvements and scientific discoveries took place that remain for industry to develop. Industry already has plans for so doing. To mention again the DuPont Company, may I say it has plans under way for building a new research center in Wilmington which, when completed, will call for another 500 additional chemists and physicists on top of what that Company already employs.
4. I confidently predict also that we will hear less of the old bugaboo of oversaving during the coming decade. Practically every social change that has taken place, or every law that has been passed, since 1932 has tended to increase the propensity to consume and to diminish the possibility of saving. Incomes of the wealthy after taxes are at a lower level than they were formerly. Wages are higher, pensions are more abundant and national income is more evenly distributed among all the people. These are factors which tend to increase the consumption by the mass of our people and should do much to allay the Keynesian fear of oversaving as a cause of depression.
5. Finally, I do not believe that in the long run our labor situation is hopeless. This is not to deny that for the moment conditions in this field look pretty bad and that the danger of strikes on a large scale is not imminent. This malady in regard to labor has been growing for the past twelve or thirteen years and it is not going to be cured all at once. The war augmented it. It shows up not only in the demand for higher wages and shorter hours of labor, but also in a decline in efficiency and in an attitude of the "public be damned." The ultimate solution of the problem will depend upon getting labor's cooperation — in making the labor union change its present attitude of fighting for higher money wages no matter what happens to prices to one of active cooperation with management. I do not believe public opinion will countenance a knockdown, drag-out fight between management and labor, such as took place during the 90's or even such as took place during the strikes in 1919-20.

On the other hand, if labor continues in its belligerent attitude of asking for increases in wages under threat of strikes, irrespective of what happens to output and to prices, the inevitable result will be the bringing on of a serious depresion and the causing of unemployment on a large scale. In spite of some evidence to the contrary in the coal mines, I cannot believe that the intelligence of our average labor leaders is so low, nor their social consciousness so lacking as not to understand this. It is altogether likely that in the decade ahead, our greatest improvement in economics as well as in social relations will be a bringing about of a better understanding between management and labor. There should be no atempt to return to the so-called "good old days" when there were no unions. On the other hand, it is futile to attempt to keep in force all the provisions of the Wagner Act, which Act is too one-sided and actually foments labor trouble.

Just what steps will have to be taken to bring about this cooperation, I am not prepared to state, nor can I give a blueprint of the way it is likely to be done. It would not surprise me, however, if the time should come when committees elected to represent labor would work constantly with management and as a part of management. If some such idea could be worked out, there might be some chance of changing the union from what it is now, merely a fighting organization against management, to an active, cooperating agency with management. There is little less at stake in this matter than the welfare of our democracy and our whole free enterprise system. An attitude of fairness—give and take—in the good old-fashioned Anglo-Saxon manner is what is needed. The communists and their fellow travelers have nothing to teach labor that is for its own good. Likewise, the bitter, backward-looking, reactionary, antilabor union employer, if any such there be in existence today, have nothing to teach management.

Conclusion

From the short term point of view, I am pessimistic. It seems to me that a business recession in the coming year is inevitable. Whatever the reason may be, a price readjustment in many lines must be brought about. Probably it can only be brought about through a recession in business. The railroad picture is dark indeed. Construction costs are too high. It is impossible, at today's costs of construction to build houses not merely for the one-third having the smallest income in the nation, but for the rank and file of our average laboring class of people. These costs will have to be adjusted. Labor productivity in the automobile industry will have to be increased if cars are to be produced in volume and sold at prices to reach the mass market.

None of these problems is insoluble, nor is a high level of intelligence needed to find the solution. What is needed is a spirit of good will, fair play, giving up the attitude of trying to get something for nothing, of willingness to give a full day's work for the day's pay and, above everything else, a secession on the part of our political leaders of constantly promising the rank and file of our people things that can never be brought to pass. Charters setting forth freedoms are no doubt a good thing, but charters that hold out promise that can never be obtained for the sake of securing votes are certainly pregnant with evil.

I close, therefore, on two notes. The short near term note is rather doleful. Some falling-off in business seems certain next year. The decline should not be too severe, however, if properly handled and it should lay the foundation for an extended period of prosperity after some needed readjustments have been made. My long term note, therefore, is cheerful and buoyant. Our best days are not behind us; they lie ahead.

James Adams Predicts Severe Depression

(Continued from page 2602)

York at that time, committed suicide. In that war and peace 170 years ago, general economic conditions were wholly different from those today. We had no banks, no Federal Reserve system, no steam, no electricity, no mass production and all that we had at the end of World War I, but the pattern remained the same.

"The Armistice was declared at the end of 1918, peace signed early in 1919. Then we had a boom. Toward the end of 1920 and all through 1921, we had the primary postwar depression as we had it after the Revolution. Then began the wild speculation which ended with the crash of 1929. The same thing has happened in other wars such as the Napoleonic Wars—in which we shared to the extent of the War of 1812—the Civil War, and so on. I steered my craft and that of those who were dependent upon me for looking after their investments, through World War I and its succeeding years, on this theory and I am still going on it. I think that we are wise in going into snug quarters for the next couple of years or so. Some time, although I may not be here then, to give you my advice—good or bad—I think that we might perhaps go back into the more speculative stocks again but be sure to get out within a few years because the next crash will make 1929 look like a piker.

"After every war, eventually the loss of capital goods has to be made good, and it can only be made good the hard way. In this World War we have destroyed more capital goods than ever before in the history of the world and the crash will be correspondingly great."

Dillon Director

The Boards of Directors of United States & Foreign Securities Corporation and United States & International Securities Corporation announced the election of C. Douglas Dillon to the presidency of both companies. Mr. Dillon, who is chairman of the board of Dillon, Read & Co., fills the vacancy created by the retirement, due to ill health, of Ernest B. Tracy, who has been president of United States & Foreign Securities Corporation since Dec. 6, 1927 and President of United States & International Securities Corporation since Oct. 29, 1928.

C. Douglas Dillon

Harney & Alexander Is Formed in Miami, Fa.

MIAMI, FLA.—Harney & Alexander, Inc., has been formed with offices in the Alfred I. du Pont Building to engage in the securities business. Officers are F. L. Harney, Jr., President; R. U. Alexander, Vice-President; and M. J. Casey, Secretary-Treasurer. Mr. Harney was with Reed, Lear & Co. of Pittsburgh in the past. Mr. Alexander was with Atwill & Co.

McBride & Coyle Open in New York

J. F. McBride and J. J. Coyle have formed McBride & Coyle with offices at 150 Broadway, New York City, to engage in the securities business.

The Production Outlook for 1947

(Continued from page 2606)

meet minimum needs in the first half of next year.

Output At All-Time Records

The output of many other goods is at all-time records. Let me give you a few figures on some of the items we have been following closely. The comparisons are generally between the most recent month of this year and for the average month of 1941. We are producing 40% more passenger tires; 35% more radios; 30% more electric ranges and washing machines; 27% more farm machinery; 20% more gas ranges; 19% more woolen and worsted fabrics; and 6% more civilian trucks. But we have other industries that have not yet hit their stride. The production of cotton fabrics has been showing steadily increasing production, but is still 9% below 1941; largely due to labor shortages. Passenger automobiles have increased from zero at V-J Day to 285,562 in October but are still 10% below the 313,000 produced in the average month of 1941. This slowness has been due largely to labor difficulties in basic material industries and in component plants resulting in the unbalanced flow of materials and parts. Mechanical refrigerators and sewing machines are in much the same position and for the same reasons.

However, by and large, in terms of production, things are going well today and can continue to go well if the industrial boat is not rocked by runaway prices or major work stoppages. Both can be avoided if management and labor both use restraint, common sense and good judgment.

Looking Ahead to 1947

Looking ahead to 1947, I can see the possibility of a good year. However, since we are already hitting production ceilings in many lines, I cannot see any dramatic increases in overall production such as we have had in recent months. In fact, for technical reasons the business indexes may indicate a moderate decline in activity even though we still remain at full production. We certainly cannot really have a decline in business activity as long as we remain at full production and full employment, regardless of the indexes. We can have an excellent year in 1947 if we can keep 57 to 58 million people employed at roughly current real earnings; if we can avoid a new wave of labor-management strife; and if we can limit price changes to minimum corrections of major distortions.

Within our own country we have the demand and the desire to have goods and services that should keep us at peak production. People have the money to back up these demands, and will have it so long as prices remain reasonable and they are employed at fair wages. The export demand in many areas is tremendous, and to a large extent, there are dollar balances available now to activate these foreign demands. Offsetting these factors are some unfavorable ones, and others whose effect is problematical. They include the question of prices, of management-labor relations, material shortages, rising inventories and industrial unbalance.

One of immediate concern is the question of prices. What direct effect will the lifting of ceilings have on industrial production? I think it is obvious that the trend will be mixed. Some serious distortions will be corrected, and this should permit an expansion of production of some badly needed products and materials where price has so far been a discouraging factor. But, at the same time, there are bound to be some new dislocations. Rapidly rising prices strike at industrial output in many ways. They make it difficult to schedule production because of uncertainties about costs. As we all know well, inflationary prices wipe out purchasing power and cut down demand for goods.

What prices do from now on will be a major factor in deciding whether we can maintain a stable and expanding economy or whether we are going to have a boom and a bust. It will take real business statesmanship to get through the months ahead without having prices rise to a point where they choke off production.

Labor Management Relations

Another major problem ahead is labor-management relations. We are hearing much about new wage demands, but many of the national labor leaders have shown an appreciation of the economic fallacy of having prices and wages playing leapfrog. Many of the rank and file with whom I have talked also appear to recognize this problem. Many representatives of management have recognized that organized labor must be reasonably and fairly dealt with, and they are striving to find common grounds for reasonable negotiations. The trend toward decontrol and the recent actions in abandoning wage and price controls leave management free to negotiate wage adjustments with the realization that necessary price changes can be made. The outcome of the recent election indicates to me a growing national impatience with labor-management disputes. Unjustifiable positions can only lead to the things we must avoid—work stoppages, increasing shortages, lost production and higher prices. I am hopeful that we shall not have a repetition of last year's production-crippling strikes. With a tolerant and reasonable approach, we could avoid these troubled shoals.

For the third time in 14 months the country is threatened with a strike in the soft coal mines. American industry has not yet had time to recover fully from the two-month strike last spring. Coal stocks are lower than they were on April 1, and demands are far greater both because of the approaching cold weather and because of the sustained high level of industrial activity.

If coal mining is stopped tomorrow night, immediate steps must be taken to conserve existing stocks. The government has already acted quickly to freeze stocks of coal at the mines. But even though this speedy action should result in an emergency stockpile 2½ times as large as last spring, there will not be enough to fill any but the most urgent needs affecting public health and safety. None of this coal can be given to industry, except in rare cases to permit the orderly closing of plants whose facilities would otherwise be damaged. Therefore, every coal-burning railroad in this country, every electric power plant dependent on coal, every industrial plant, and every home owner who burns coal to heat his house must stand ready *now* to conserve his coal stocks in every way possible.

I mentioned industrial unbalance as one of the unfavorable factors in the picture today, and of course our shortages of materials and components are a part of that picture. The makers of fractional horsepower motors, for example, have order backlogs for almost 38 million motors—which, if the orders are firm, amounts to about 21 months' production at the present rate. But even where shortages are less severe there are difficulties.

In the early phases of the war production program we started to produce everything we could as fast as possible. We were pushing up factories, expediting production all along the line. After about a year of this we found ourselves in an epidemic of unbalance. We were getting ships without propulsion machinery, airplanes without propellers, destroyers without torpedoes. A factory working on a rush job for the Army had to reduce production because it lacked copper; a warehouse in another part of the country was bulging with copper.

Our economy today is at a similar point in reconversion. Some parts of it have pushed ahead faster than others. That was why we had to limit construction; it was leaping ahead of materials output to the detriment of housing. Right now, in some areas, we are producing more bricks than we can match with hardwood flooring and cast iron soil pipe. Not too many bricks for the building we need, just too many for our other supplies.

Perhaps we are producing too many small radios and too few consoles. The auto manufacturers may be receiving too many engines or transmissions and too little spring wire and flat-rolled steel. We may not be using enough Number 5 wire rod for nails and bale ties, and too much for woven wire fences. Similarly, some industries today may have more manpower than a balanced flow of all materials and parts requires. Others suffer from a shortage of manpower.

Problem of Inventories

Inventories present a problem in the months ahead. Manufacturers have to fill up the gaps in their inventories in order to smooth the flow into the production line, but there is danger in building them up too much. It has been said that the death certificates of businesses killed off in the deflation of the 20's were all marked with one cause—excessive depreciation of inventory. Today's inventories, in general, aren't too high when compared with sales volume, but they have been going up very fast. In three months—June, July and August—overall inventories rose nearly $3 billion dollars.

Along with a balance in production, we have to achieve a balance in distribution. Immediately following the war, many industries undertook to distribute their available goods on a prewar pattern. This was reasonable, for we knew little about what would happen to people who had moved during the war. Would they drift back to their old communities? Would they stay in their new communities and find peacetime employment opportunities? Would they go to other communities? No one knew.

Would the steel users revert to their peacetime patterns, or would new patterns be set up? The same questions apply to a multitude of other materials and products. Industry's first major effort had to go into getting up production.

But the time now has come for American industry to reappraise the shifts in markets. Let me give you three examples that point out some of the changes that have occurred—three broad indicators.

The first is geographical shifts in the population. These figures show a tendency for population to move away from the New England, Middle Atlantic, and East Central regions to the West Coast, the West Central and South Atlantic areas.

The second set of figures compares HH authorizations for housing with a prewar pattern. Here again, we find evidence of the same type of shift.

The third is the number of request that CPA Field Offices have had in connection with non-housing industrial and commercial construtcion. Again, the same shift is indicated.

Now, these are quite clear indications to the producers of nationally manufactured building materials of a shift of demand. Likewise, they imply that house furnishing and factory, store, and home equipment items will show corresponding shifts. Industry will need to gather all available data relevant to its products to gauge this shift.

Wants No Central Planning And Control

During the war, balance was achieved by central planning and rigid controls. It was necessary then. But in a peacetime democracy we do not want such central planning and control. In place of it, the managements of thousands of companies must reach individual decisions. Production schedules will have to be projected at levels that are in line with available supplies and a lot of expediting will have to be done to keep the supplies flowing.

Finally, there is one other problem that American industry must look at. What are our potential year-in and year-out markets? Have we the capacity to meet these new demands? Just let me quickly recite two sets of figures that prove to me that America is not a mature nation, that we have not stopped growing, that the past is but the prologue to the future.

Since 1941, the population has increased 5½%. If people wanted, on the average, the same things in the same quantity as they did in 1941, we would need 5½% more production.

Second, we have 13½% more people employed. That means more people with more dollars to spend. That can only mean more demand, and more production to satisfy that demand. And we have no right to believe that the 5 to 10 million unemplayed in the decade of the 30's is to be normal. If that is normal, and the free-enterprise system cannot find a way to lick it, then we can be sure that other systems will be tried.

Some of my staff have done some preliminary studies on steel capacity. They extended the trend of steel production from 1901 to date. They extended the trend of steel production per capita for the same period. They related steel production to the Federal Reserve Index of production and to the gross national product, the sum of all goods and services. I am not sure how accurate the results are, but they indicate that by 1950 we will need steel ingot production of from 90 to 100 million tons a year. Currently, we are producing steel at a rate of about 80 million tons a year, and are operating the mills at practical capacity—a little over 90% of theoretical capacity.

These figures make me wonder whether we will have the steel capacity we will probably need to support a full-employment and full-production economy in 1950—only a little more than three years away. The same sort of studies in other lines would show an equally expanding market. It's a market worth shooting for.

Decontrol

In closing I should like to say a word about decontrol. Price controls, except for rents, rice and sugar, are no longer with us. I believe you are all familiar with what my own views on production controls have been for a long time—that they should be lifted just as rapidly as we could safely do so. The record shows that both WPB and CPA have followed this policy consistently, and CPA is continuing to do so.

But decontrol has its problems. It returns American business to the free enterprise system. That gives industry and labor the job of getting out the production, at fair and reasonable wages and at prices that will not cause the markets to evaporate and unemployment to set in. It puts on industry the burden of insuring fair and equitable distribution of its products so as to maintain maximum production and maximum employment. We must keep the industrial boat from rocking during the troublesome period ahead, or we shall all get hurt.

As government controls draw to a close there will be inevitable economic adjustments that will bring some bumps, jolts, and strains to business. I am convinced that they can be, and must be, absorbed by the resilience of the free enterprise system.

Some of those who will feel these jolts and jars will sigh for the days when government, through priorities, wet-nursed the industrial economy. Some will even advocate the reinstitution of controls or even legislation to put selected segments of our economy in preferential positions. That path leads toward regimentation of the industrial economy. Once we start down that path we will pick up speed amazingly fast.

I am convinced that all of us who believe firmly in the free enterprise system must resist such pressures with all our strength. Priorities breed priorities, and controls breed controls. I am convinced that we must get out of them, and stay out, if we are to retain freedom. At long last and with deep thankfulness the day is drawing near when I will be able to return to industry. In leaving the Washington scene I would like to express again on behalf of CPA our deep appreciation of the cooperation, help and guidance industry has given us during the difficult months of transition.

Hurd Chairman of Foreign Trade Comm.

Arthur Hurd, Director of Media Research, J. Walter Thompson Company, has been appointed Chairman of the Foreign Trade Committee by Lyman L. Hill, President of the National American Marketing Association. Mr. Hurd's committee consists of Raymond Robinson, Director of Research, Crowell-Collier Publishing Company; William S. Herrington, President, International Public Opinion Research, Inc.; Hector Lazo, Director of Public Relations, Sunshine Biscuit Company; and Wroe Alderson of Simon & Sessions.

Arthur Hurd

Dr. Vergil D. Reed, Associate Director of Research, J. Walter Thompson Company, has agreed to act as general consultant.

The objective of the Committee is, first, to prepare an analysis of foreign markets for United States exports; second, to outline the sales channels and advertising and promotion facilities available for selling United States products in foreign markets; and third, to outline the place and function of marketing people in world trade.

Metropolitan Inv. Co. Opens New York Branch

The Metropolitan Investment Company, Chicago investment firm, is opening a branch office at 40 Wall Street, New York City.

M. B. McLean Is With J. A. Warner in Phila.

PHILADELPHIA, PA. — David Jester, Jr., Vice-President in charge of the Philadelphia office of J. Arthur Warner & Co., 1421 Chestnut Street, announces that Nelville Bruce McLean has become associated with the sales organization of that office.

Boom or Bust?

(Continued from page 2603)

Technically, the evidence at hand affords more comfort to the optimists than to the pessimists. For one thing, successive waves of liquidation have not made important or lasting inroads on the price structure. Secondly, despite growing public awareness of and emphasis on the uncertainties in the outlook, the market has displayed increased resiliency. Thirdly, only a market in tune with realities could have absorbed major weakness in the farm commodity markets with so little accompanying liquidation.

But favorable technical indications will only be a transitory influence unless they are bolstered by constructive fundamentals. In this connection, apart from the manifestations of a decline in luxury buying, there is ample evidence that the wartime boom is over—that the national buying spree has ended. It does not necessarily follow, however, that there are maladjustments in business as a whole which have to be liquidated and which wil cause a full-fledged depression.

What Makes Business?

Unquestionably, the point can be made that the present situation is different in many respects from the background which existed at earlier critical periods in our business history. Actually, however, the practical significance of any historical differences which can be cited is open to question. The 1940's are no more a New Era than were the 1920's. Thus, any decision as to the business outlook requires specific analysis of the factors which determine the level of industrial production.

1. **Consumer Inventory Policies:** In the past four years, the consumer has spent a huge amount of money for soft goods; moreover, the buying spree continued at an unprecedentedly high rate in the first half of this year. True, much of the money spent in recent years was for luxury goods rather than necessities—and there therefore is still an untapped demand for shirts, sheets, suits, etc. But even if the consumer is not over-inventoried, a debatable point, there is reason to believe that soft goods sales will decline — that a buyers' market is in prospect.

   For one thing, the emotional release from wartime tensions which found reflection in a wild desire to spend is being replaced by more normal buying habits in which the public wants value in return for its dollar. Secondly, the public is rebelling against high prices (witness the buyers' strike in meat) and wartime price increases have priced an important segment of the buying public out of the market.

   Heightening the prospect of a decline in activity in textile and similar lines is the fact that steadily increasing competition for the buyer's dollar is being witnessed from hard goods lines returning to shelves. True, furniture, radios, and other items not available during the war years theoretically can be purchased on credit or from savings. But will debt be created at these prices and with the spending spree a nightmare of the past? Further, even if national income is maintained around current levels, a return to the prewar rate of spending for soft goods and hard goods automatically would spell a decline in the former.

2. **Business Inventory Policies:** With the experience of 1920 and 1937 in mind, the steady increase in manufacturers inventories in the past year has caused considerable uneasiness. While the net change is only about $2 billion, the actual addition to inventories has been approximately $7 billion — for some $5 billion of goods was turned over to the government after V-J Day. Unquestionably, partial compensation for this unprecedentedly high level can be found in increased prices and the distortions caused by inability to obtain all the items necessary for a completed product. Moreover, inventories in a sense are a relative matter—and monthly shipments as well as new orders are at high levels. But how long can this accumulation—with its consequent stimulus to general business activity—continue?

   From all indications, the point has been reached where emphasis will be placed on reducing inventories lest the situation get completely out of hand. For one thing, the decline in the commodity and stock markets is bound to result in caution; purchasing agents already are intimating a buyers' strike. Secondly, the pipe lines of distribution are on the way to being filled and it is natural to await absorption by ultimate buyers before adding to stocks. Thirdly, it remains to be seen how heavy invisible inventories (goods speculatively hoarded) will prove—how much pressure they will exert on the price structure from here out.

   Granted that the latter is particularly true of soft goods lines, the fact remains that nationwide inventory consciousness is a deflationary influence.

3. **Building Activity:** Unquestionably, the building materials manufacturers will enjoy a banner year in 1946—and contruction activity, as measured by statistical reports, theoretically is at a high level. But what of the trend from here out—bearing in mind that: (1) Actual residential contract awards have declined from $463.6 million in May to $293.8 million in September while all other types of construction were off from $488.8 million to $326.0 million; (2) Construction awards primarily represent hope and intention rather than an actuality, i.e., their normal relationship with completions has disappeared.

   A study of the beneath the surface factors obscured by the outward evidence of construction prosperity suggests that our building boom is being thwarted by: (a) High prices as a result of black markets and labor inefficiency; (b) Unsound and unrealistic government regulations.

   Of course, the situation may correct itself next spring or summer in that: (1) Accelerating production will eliminate the shortages responsible for material black markets; (2) Consumer inability and unwillingness to build at current prices will eventually force greater labor efficiency; (3) With regulations not building houses for veterans, controls are probably destined for removal. In other words, there is a possibility of constructive developments next year which could importantly influence the second half 1947 business prospect.

   But, in the interim, building activity is not likely to live up to its wartime promise of being a prop and a stimulant to postwar prosperity.

4. **Industry's Capital Expenditures:** In the first half of this year, corporate expenditures for new plant and equipment were at an annual rate of $10 billion as compared with actual expenditures of $6.5 billion in 1945 and $8.3 billion in 1941. Moreover, planned expenditures in the third quarter were at an even higher annual rate—one which was some 50% greater than the prewar peak. Since then, however, the background has changed and it no longer is likely that our economy will have the stimulus of an aggressive corporate capital expenditure program.

   For one thing, apart from the CPA restrictions on industrial building, inflated costs are proving a deterrent to new construction; a plant is worth just so much to do a particular job. Secondly, the delays in obtaining materials and equipment also have contributed to abandonment of many expansion plans—and the uncertainties in the outlook being reflected by the stock market will cause additional postponements.

   True, the necessity for a high level of capital expenditures still remains; normal growth, competitive pressures and high wage rates require modernization and expansion which was not possible during the war years. And current difficulties are causing a "pigeon-holing" rather than indefinite shelving of expansion plans. Thus, like the situation in residential building, a correction of present maladjustments in coming months could provide the necessary incentive to renewed activity. For the time being, however, a deflationary influence has been set in motion which—if not corrected—will soon overcome the stimulus of plans started earlier this year.

5. **Exports:** Although well below the wartime peak reached in 1944—when lend-lease was at its height—our export trade has been in a definite uptrend since October, 1945, increasing from $455 million to $881 million last August. Unquestionably, part of this volume represents foodstuffs and clothing for relief purposes which is financed through special arrangements. But there is no gainsaying the world-wide demand for our goods for rehabilitation and normal trade as well as relief; witness the imposition of export controls and the recent inquiry of the British for 2 million tons of steel. Furthermore, the financial ability of foreign countries to purchase our goods is much greater than is popularly believed.

   Thus, exports this year may exceed all periods in our history but 1943 to 1945—and come close to doubling the 1941 volume of $5.1 billion. If, in addition, a rapprochement is reached with Russia, thereby opening a huge market for our goods, an already strong business stimulus will be intensified.

6. **Government Spending:** Deplorable as it may be from the viewpoint of sound monetary policy, the fact remains that deficit spending was the primary stimulus which carried the Federal Reserve Board production index to a peak of 240 in February, 1944 from a 1941 low of 139. Conversely, of course, the dwindling cash deficit of the Government—$21 billion in the first half of 1945, $16 billion in the second half, and $2 billion in the first six months of this year—constituted a deflationary influence on the production indices. That the post V-J Day FRB index low last February was 148 against a 1936-41 average of 117 is testimony to the basic vigor of our economy. But what of the outlook from here out—will private spending grow at a rate which compensates for the sizable cash Government surplus in prospect over the coming months? In the light of the previous discussion of the other factors which "make business," only a negative answer is justified.

Realism vs. Pessimism

Does the fact that a "deflationary gap" is coming into being suggest that a severe deflation lies ahead—that a major depression is in prospect for 1947? No! Rather, the evidence now at hand points to a readjustment period in which the maladjustments created by a bungling, inefficient, administration and a leap-frogging of wages and prices will be corrected.

In a sense, the background previously sketched suggests a business performance which will be reminiscent—but not a duplication—of 1937-38. To express it another way, the severity of the readjustment will be greatest in the soft goods lines; the capital goods producers largely face a deflation in prospects. Thus, the highlight of 1947 will be a return of the capital goods industries to their traditional role of being the backbone of our economy. This is fundamentally to the good, for general prosperity does not stem from soft goods.

As a corollary to the business readjustment, the prospect favors a decline in wholesale commodity prices next year—with its consequent favorable implications as to the cost of living and profit margins. True, some of the major industrial commodity groups—nonferrous metals, for example—will maintain recent sharp advances stemming from decontrol. In other cases, however, such as iron and steel or paper, only individual product price adjustments are likely; and in textiles, decontrol will eventually mean lower prices. Above all, what with bumper crops and declining export demand, farm commodity prices—which are an important segment of the index—are likely to decline.

Higher Stock Prices?

What of the market? Can it rally in the face of the prospect that corporate earning power at best will be "mixed"—sharply divergent industry by industry showings—and by and large may decline next year? If so, how far? To answer these related questions, the next rally probably will be of greater scope and duration than any witnessed thus far in the second half of the year.

This opinion is predicated on the belief that: (1) An upward movement is likely if only because there is such unanimity of opinion that the worst is yet to be seen. It is perhaps inevitable that the concept of a business recession will be tested by higher prices. (2) Apart from the fact that further evidence of business deterioration is not in nearby prospect, the price level is a realistic one which permits reflection of any favorable developments. (3) The news background may be in the process of changing—a rail freight increase daily becomes more imminent, and the current speculative neurosis is overlooking labor's less militant attitude.

Unquestionably, there has been a major shock to investor confidence. But even though this was also true in the fall of 1937, the market nevertheless offered trading opportunities after the initial readjustment. To illustrate the point, after a decline to 113.64 on Nov. 24 of that year to establish a bottom which was not penetrated for almost four months, there were three upswings averaging 15 points despite sharp declines in the various production indices and commodity prices. Significantly, the eventual bear market bottom on March 31, 1938 was less than 15 points below the November, 1937 low.

While an exact parallel obviously cannot be drawn, there is reason to believe that market history will repeat itself in substance if not degree—with the obvious inference that: (a) The 1946 lows probably have already been recorded and an extension of the upper limits of the recent trading range is in prospect; (b) Unless labor developments heighten the coming recession, the eventual 1947 lows may not be far removed from the October, 1946 price level; (c) Although there will be ample time in which to become unqualifiedly bullish for the longer term, intermediate turn buying opportunities are being presented today.

W. G. Paul Named Pres. Of Los Angeles Exch.

LOS ANGELES, CALIF. — W. G. Paul was elected President of Los Angeles Stock Exchange at a meeting of its Governing Board, according to an announcement by McClarty Harbison the Chairman. The election of a President as the principal salaried executive marks the initial step in a comprehensive program formulated to foster the Exchange's development in keeping with the growth of the area it serves. Mr. Paul, a graduate of the Stanford Law School, entered the securities business in 1919 and had been associated with the Exchange as a member or officer since 1925. He has represented the Exchange in most of its relations with other exchanges, corporations and public authorities since 1933, when he became its Executive Secretary, and is widely known as an authority on the practical as well as legal phases of exchange administration.

W. G. Paul

Lee Higginson Offers Felt & Tarrant Stock

Lee Higginson Corp. and Kidder, Peabody & Co. headed an underwriting group Nov. 20 which publicly offered 251,340 common shares, $5 par value, of Felt and Tarrant Manufacturing Co., makers of comptometer adding-calculating machines. The stock was priced at $24.50 per share.

The offering does not constitute financing on the part of the company. In its 61-year history no public offering of securities has ever been made by the company. The shares offered represent holdings of certain shareholders following changes in the company's capitalization and the merging into the company of Comptometer Co., which handled the sales and servicing of comptometers throughout the United States. A total of 531,060 shares of the new $5 par value stock are outstanding.

Except for 1921 and 1932, cash dividends have been paid by the company on its capital stock, without interruption, in every year since 1909. Net income of the company for the year ended Dec. 31, 1945, was $713,502 compared with $951,195 for the preceding year and $702,050 for the six months ended June 30, 1946. The company's plant and executive offices are at 1735 North Paulina Street, Chicago.

The company, it is stated, intends to make application to list the common shares on the New York Stock Exchange.

O. D. Belle & Co. Inc.

SYRACUSE, N. Y.—O. D. Belle & Co., Inc., is conducting a securities business from offices at 114 South Warren Street.

Remedial Deflation Needed!

(Continued from page 2606)
(100 being the average of 1935-1939).

From this it has risen to a level of 182. With this rise, however, has come a marked increase in prices and some evidence of consumer resistance in buying.

Some further increase in production should be seen, under the recent substantial elimination of price controls. Manufacturers new orders, at the end of September, stood at 228 (1939 the base of 100) against a low of 133 in August, 1945. A further rise in production, however, should not lull us into a belief in stability around current levels. Actually, it will probably make the inevitable readjustment more severe.

Wasteful Production

During the war we had to have vast quantitative production, wastefully or not. This wastefulness has, to a considerable degree, been carried over into peacetime production.

On top of this the work week has been reduced and with it the work week of machines.

It was just about a year ago that President Wilson of General Motors made the constructive suggestion that we work, for a time, on the basis of a 45-hour week, with a sufficient increase in wage rates to give workers virtually the same take-home pay that they had been getting. This never received even reasonable consideration.

We have followed an opposite policy. As a result, with the output of both men and machines declining, production costs per unit have risen and prices with them.

Based on a fair representative group of industries, production costs per unit of production at the present time are 62% above the 1939 level.

Upgrading during the war was a much easier process than readjusting and downgrading under peace. These troubles will probably not pass until headline making "triumphs" of wage increases are replaced by the more solid and lasting factors of greater worker productivity, even if the latter means working a little more than 40 hours a week until industry can adapt itself to postwar conditions.

It is difficult to see how this can be brought about without a period of general readjustment.

War dislocates and interrupts the processes of production and distribution. Hence its end results in general shortages. Some of these shortages are real. Some are only apparent. The majority are each in some degree. But, whatever their character, they cause high prices.

These conditions, which almost universally follow war, also set in motion counter forces to overcome them

Counter Forces

Unfortunately history shows that, in wrestling with the abnormal conditions of an immediate postwar period, we have had a pretty consistent record of minimizing the effectiveness of these counter forces, the greatest of which is the desire to return to production and distribution in spite of all obstacles.

In addition, there is a natural tendency for short supplies to go into hiding. The result is that total stocks of goods appear to be less than they are. A concomitant tendency is an almost inevitable over-estimation of demand.

If you will stop and think a moment you will see that this is so. Any one deprived of anything for a considerable period of time whets up a constantly increasing desire for it. But, if, when the opportunity to satisfy the desire eventuates, it is found that the cost is greater than anticipated, actual consumption falls short of that envisioned when the commodity was not available.

Actually, the difference between shortages and surpluses can be pretty thin. To illustrate this extremely simple—if a community needs 100 units, let us say, of a commodity and the sole dealer in that community has only 96 or 98 units there is a shortage and every one will be after him. But, if the supply increases only 5% there is stock on hand and immediately that is realized those who previously hounded the dealer will become apathetic.

Danger of Over Supply

Certainly, history in this country furnishes ample precedent for a pattern of postwar shortages soon succeeded by sufficient supplies, if not over supply. Many of you men went through that experience after the end of World War I. I see no reason to believe that there will not be a broad repetition of that phenomenon this time.

All right, then, you may say to me, inasmuch as we have historical basis for that belief and considerable discussion at the present time, why will not past experiences be guarded against and in that way avoided? The reason I think is that it is impossible for any one to put his finger on the time when, speaking broadly, general shortages will be changed into general surpluses.

After World War I, for example, while security prices reached their peak in early November, 1919, and declined sharply into early 1920, commodity prices did not reach their peak until well into 1920 and did not break sharply until the fall of that year. Whether in this period there will be a similar interval, or a quite different interval, it is impossible for any one to honestly say.

All we can do is to recognize that existing abnormal relationships between costs and prices and among various prices can hardly be permanent but must be readjusted, and to prepare for such a readjustment.

Comparison With Postwar I Period

Now, I have not meant to give the impression that current conditions are specifically parallel to those which existed in 1920. Broadly they are parallel, in that we are in another abnormal postwar inflation. Specifically, there are important dissimilarities. There is now much less credit strain—and the credit situation is substantially under government control.

In the most inflated segments of the economy there exists a stronger financial position than 20 years ago. The financial position of corporations and individuals generally is stronger.

One very important difference is indicated by the relationship of farm and non-agricultural prices. In the 1920 period, using 1914 as 100, farm products on the BLS index reached a level of 238; foods 230 and all commodities except foods 265, an even greater inflation. Now, using 1939, as 100, the level of farm products is 248, food products 220, with all other products at 138. There is, therefore, quite obviously not the same need for readjustment in the prices of manufactured goods as there was 26 years ago. As a matter of fact, speaking from a very immediate standpoint, the controls recently removed, prices of some such products should advance.

Until recently at any rate, it could be said that, as contrasted with the 1920-1921 deflation, a reasonable expectation was that the government would fight readjustment, would attempt to cushion it—rather than let things take their natural course. The results would probably have been to prolong the readjustment and delay recovery.

With the election of a Republican Congress, there may well be a modification of such policies. It is perhaps too much to expect that, even with the recent change, government will stand aside. It already has numerous commitments to provide support, particularly in the case of agriculture, one of the most inflated segments of the economy.

But, one of the favorable implications of the recent election, in addition to the longer range economic improvement it should bring about, is the prospect that the necessity for readjustment will be more clearly recognized and that it will more generally be allowed to run its course, thereby placing us on a sound foundation for a postwar reconstruction era more quickly.

Signs of the Stock Market

It would seem to me, from a business standpoint, that it would be folly not to recognize what has gone on in the stock market and to heed the signs.

Those who counsel otherwise, who say that the collapse in security market prices is internal, rather than indicative of difficulties ahead, are assuming a responsibility which careful men ought not to assume. True, no economic sign whatever is infallible. But, when we see a phenomenon which, in all but exceptional cases, has been followed by certain developments, honest counsel should point to prudence.

I appreciate that undoubtedly some who try to explain away the decline in the securities market may be doing so to eliminate what they think is unnecessary fear. The difficulty is that it is likely to eliminate prudence.

There is nothing in the situation as I see it, that points to disaster. There is much on which to be extremely careful!

It would indeed be a major miracle if this country could come through a war, and then through a year of attempts to manage the economy, without being face to face with the necessity of readjustment. But, following such an adjustment, we should go into a period in which we will establish new high records of prosperity.

If there is to be fear it ought to be fear of delaying the readjustment and not getting to a sound basis for real and protracted prosperity.

Certainly a remedial deflation, or readjustment, does not mean a major depression and probably not even a minor depression. It will of course entail a decline in activity, perhaps substantial. But, with industrial output now 80% above normal we could have a material adjustment and still remain above prewar normals.

The necessity for care and caution in the current situation, as I see it, particularly from a securities market standpoint, is the fact that, with the break-even point in industrial operations so much higher than in the prewar period, a decline in production to a level still substantially above prewar normals, could raise havoc with earnings.

It is, of course, illogical to be as conservative on the stock market, after it has given up 50% on the average of a four-year advance in five months, as it was before such occurrence. Nevertheless it is difficult as yet, if we are correct in believing in the necessity for a remedial deflation, to be optimistic on the stock market from a long-range standpoint. A further intensification of the currently increasing production curve could well bring an intermediate recovery, but hardly a new bull market.

Divergent Outlook for Groups of Securities

There is, however, an interesting divergence between various groups of securities, as there is between various segments of the economy.

The war bull market was primarily a bull market in consumers goods stocks, with the stocks of the heavy industries, which were producing the country's fighting equipment, by and large lagging.

To use only a few groups as outstanding illustrations, the liquor, air transport, drug, grocery chain and motion pictures at their 1946 peak were from 100 to 266% higher than in the last period of peace prosperity, 1936-1937, while such groups as railroad equipment, the metals, electrical equipment and iron and steels were from 5% to 20% below such peaks.

In the stock market decline the first groups lost 20%-45% of their price level—the air transport group being the largest loser —the second, or what we might term non-boom groups, were off from 20% to 35%—or practically the same.

The result has been to bring the second type of securities to a price level much closer to normal than the first group. For example, the liquor, air transport, drug and motion picture groups are still 200%-350% above the lows of the last period of stock market depression, 1942, whereas the metals, electrical equipment, aircraft and chemical groups are only 25-60% higher.

Some stocks of good quality are already reasonably priced, at least from an historical standpoint. A few have reached what must be termed under-valued levels, again from an historical standpoint.

This divergence should be recognized. It does not mean that there can be a bull market in some stocks with a bear market in general in progress. But, in the handling of money as distinguished from simply speculating in securities, it is important to recognize this distinction.

Moreover, it does seem logical to believe that, when we get squared away for a real period of postwar reconstruction, in all probability the most profitable securities will not be those that have proven to be the most profitable in the bull market just ended, but rather the opposite.

This brings up a final consideration. As regards individual companies, the boom through which we are passing has been largely all-embracive. Government spending was so tremendous and, as a result of government deficit financing, the creation of money was so extensive that almost any enterprise, regardless of its financial background, or previous operations under peace conditions, could make money.

In my opinion, the readjustment that we inevitably face will bring about a marked change in that condition and when the readjustment is completed the broad picture of the post-reconversion period—the period of postwar reconstruction—will be a high average level of physical production, but with an intensification of competition, increased business mortality and a considerable degree of economic instability.

Approaching such conditions, an opposite investment or speculative policy from that logically pursued over recent years is necessary—namely, the avoidance of most secondary or relatively weak companies, from the standpoint of what they were able to accomplish under previous competitive conditions, with prime consideration given to the leaders or near leaders in industry.

In other words, as we get squared away after the readjustment from this immediate postwar inflationary period, competitive abilities will be at a premium and the best managed companies, rather than being handicapped as they have been in various ways over recent years, will again come into their own. This should be in the forefront of our minds, in the handling of money.

Two Tafts in U. S. Senate

Not until Dec. 15 will Ohio have two Tafts in the U. S. Senate, the Attorney General's office at Columbus, Ohio, said on Nov. 8, according to Associated Press advices from Columbus, which further stated:

Kingsley Taft, Shaker Heights attorney, is already in Washington, claiming that his term as interim Senator started Tuesday when the ballot count showed him to be the winner in the race to serve until Jan. 3, at the time Republican Senator-elect John W. Bricker, starts a full term.

E. G. Schuessler, special counsel in the Attorney General's office, declared that Mr. Taft couldn't take office until the Dec. 15 expiration of the term of Sen. James W. Huffman, who was appointed last year by Gov. Frank J. Lausche after Sen. Harold H. Burton resigned to go to the Supreme Court.

Kingsley Taft, distantly related to Ohio's senior Senator, Robert A. Taft, of Cincinnati, based his claim to immediate tenure on the Seventeenth Amendment to the Federal Constitution. Kingsley Taft quoted the amendment as saying the Governor could temporarily appoint a Senator "until the people fill the vacancy by election."

Mr. Schuessler said the interim Senator did not read the amendment fully. He said the provision reads "until the people fill the vacancy as the Legislature may direct."

Philippine Money Orders

Postmaster Albert Goldman announced on Nov. 7 that all post offices which were in existence in the Philippine Islands prior to the war are authorized to pay money orders issued in the United States. However, money orders drawn for payment in this country may be purchased at the Manila Post Office only for the present.

At the same time, the Postmaster announced that the limitation of one parcel per week from the same sender in this country to the same addressee in the Republic of the Philippines will no longer apply to packages and parcels containing books, magazines, and newspapers (but not other articles) addressed for delivery in that country. The announcement further said:

"In order to help replace text and scientific books destroyed in Philippines during the war, as a temporary measure and until further instructions, the limit of weight for legal, educational, medical, and scientific books (but not newspapers, magazines, or other articles) addressed for delivery in the Republic of the Philippines, whether prepaid for dispatch in the international prints mails or in the parcel-post mails, is increased to 44 pounds per package or parcel when addressed for delivery in Manila and 22 pounds when addressed for delivery in the provincial capitals or other cities in the Philippines."

T. L. Watson & Co. Admit Lester Farley to Partnership

Lester E. Farley will be admitted to partnership in T. L. Watson & Co., 40 Wall Street, New York City, members of the New York Stock Exchange, on Nov. 30. Mr. Farley has been with the firm for some years as Cashier.

Is U. S. Military Government Deserting Economic Democracy?

(Continued from page 2616)

units and have stated to some officials of the American Military Government that many of these stock corporations could be sold to private individuals. It is the USSR theory, however, that once the units have been determined, a very large amount of discretion should be given to the local governmental authorities as to how and to whom these business units should be transferred.

This would undoubtedly result in a larger turning over of such units to governmental authorities in the Soviet Zone than would probably be contemplated in the U. S. Zone, though this is not entirely clear. However, in the U. S. Zone the various Laender governments, also, will undoubtedly be given large amounts of discretion as to how the actual implementation of any decartelization should take place. In fact, the American Military Government is forced to turn over more and more of its duties and responsibilities to the Germans by the mere device of having its personnel drastically reduced in number every few months. The American Military Government is trying to do with approximately 6,000 people, to be reduced in a few months to 5,000, what the British Military Government is doing with approximately 26,000 people.

The above statements regarding the Soviet position on decartelization and deconcentration, however, do not apply to the recent rumor that some of the larger German concerns which could be taken for reparations will be left by the Russians in their Zone and will be aggregated into huge industrial groups to produce for the Soviet. On this U. S. decartelization officials have no comment to make for the present.

Because of the various conflicts that have arisen in the implementation of the Potsdam Declaration concerning the elimination of excessive concentration of economic power, quadripartite law on this subject has been very slow "aborning." Pecularly enough, in this case the hiatus is said to be between the British on the one hand and the U. S., Soviet and French on the other. The Decartelization Branch of U. S. Military Government has, therefore, been ordered by Lt. General Clay to proceed immediately with a program for deconcentration and decartelization in the U. S. Zone. A unilateral program has been prepared by the U. S. Decartelization Branch and is now being coordinated with various other divisions of U. S. Military Government. The theory seems to be that if the Soviet, U. S. and French all deconcentrate and decartelize each of their zones, the British blocking of this program will be, to some extent, ameliorated. News from this effort should be forthcoming nearly any day.

In an interview with Mr. James S. Martin, Chief of the Decartelization Branch, the "Chronicle" was given the following description of the aims and activities of that Branch:

"The Decartelization Branch, one of the most recently organized (Jan. '46) major units in the Office of Military Government, U. S., is charged with one of the most difficult assignments given to any branch of Military Government, which is the deconcentration and decartelization of the vast but tightly controlled German economy. The program is based squarely upon paragraph 12 of the Economic Principles of Potsdam which states that at the earliest practicable date the German economy shall be decentralized by eliminating excessive concentrations of economic power as exemplified in particular by cartels, syndicates, trusts and other monopolistic arrangements. Paragraph 3, section (iv) of the Political Principles also serves as a very general but, nevertheless, direct guide to the Decartelization Branch in that such section charges the occupying forces with preparing for the eventual reconstruction of Germany on a democratic basis.

James S. Martin

"Billions of Reichsmarks of corporate and other industrial property fall squarely across the highway which the Decartelization Branch must hew out of the German forest. Names which the Branch must conjure with are I. G. Farbenindustrie, A. G., probably the world's largest dyestuff and chemical concern; Vereinigte Stahlwerke, A. G., the huge steel combine which, before the war, annually produced nearly twice the 5,800,000 tons which it is now proposed should be the total annual production for the entire German steel industry; Siemens & Halske, which had sales of over a billion Reichsmarks a year, participated in over 2,000 cartel and patent agreements and controlled hundreds of foreign and domestic subsidiaries; the Hermann Goering combine, whose notoriety is internationally known and needs no further comment here; Metallgesellschaft, A. G., a light metals and chemical concern; AEG, another huge electrical concern, and hundreds of others. The Branch has been charged with proceeding against these giants and their unfair and dishonest practices both on a quadripartite basis and on a unilateral basis in the U. S. Zone.

"Recent history has amply shown the need for eliminating German cartels and monopolies. Following World War I, the German economy became more and more concentrated in the hands of a few individuals and financial institutions. This concentration had gone far beyond mere ownership or possession of the means of production. It had become tantamount to economic *empire* and *private* business government. I. G. Farben, the largest of these concentrations, was commonly referred to as a "State within a State." The extent of this power and control remains enormous and constitutes a menace both to the peace of the world and to the reconstruction of Germany on a democratic basis.

"One of the most difficult hurdles the Branch will have to overcome is to convince the German people that democracy, particularly economic democracy, is the most favorable medium for the full and complete development of an individual. The Germans must be convinced that the best possible economic system is one in which the material success of the individual depends primarily on his own ability to satisfy the economic requirements of others; that the resulting philosophy of the individual is one of self-reliance, self-confidence, modified by the necessity to adjust and contribute to the needs of the community. It is assumed that such an individual will exercise an alert and effective control over his government and will compel that government and its officials to act for the general welfare rather than in the interests of some special class. Just as other branches of Military Government must convince the Germans of the unsoundness of making an irrevocable grant of political power to a dictator, the Decartelization Branch must convince the German people of the unsoundness of making an irrevocable grant of economic power to private persons, agencies, or to a dictator.

"The Branch, since it started in January, has been investigating and studying different segments of the German economy such as metals, fuels, chemicals, etc., and has now begun the intensive study of specific companies which are either outstanding in their size and complexity or are notorious for their discriminatory and economically vicious trade practices. German participation in international cartels will, of course, be given special attention. German economic penetration abroad by such means must be prohibited.

"The final efforts of the Branch will culminate in reorganization of large units of German economy; first, by reducing the size of many of these concerns and placing the new units into the hands of independent owners; and, second, by prohibiting practices which will allow such new units to again either gain their former size or to obtain the results of that size through *concerted* action.

"The Branch, in its quadripartite efforts, is represented by its Chief and its Assistant Chief on Legal and Quadripartite Policy, Mr. C. R. Coleman, on two Quadripartite Committees, one, a Working Party which is negotiating the Quadripartite Deconcentration Law; the other, the Committee of I. G. Farben Control Officers, which concern has been seized by the Control Council and is being given special attention to insure that its final dissolution will result in completely new ownership patterns with the control of the pieces of the former I. G. Farbenindustrie spread over a very large number of persons.

"The Branch also carries on negotiations with other occupying powers in special cases. With the British, agreement has been reached that the grease and lubricating oils distributing cartel will be abolished and a competitive system introduced. Consultations are also proceeding in regard to the gasoline and Diesel oil distributing cartel. In the coal industry, all of the restrictive practices of the huge Kohlenkontor at Mannheim, which distributes all of the Ruhr coal in the U. S. Zone, have been eliminated and plans have been made for the severe limitation of the area of activity of that group. It is possible that a cooperative will be formed in its place. Again, private, independent, self-confident businessmen will be the objective.

"The Branch is also actively negotiating the acceptance of a law requiring the registration of bearer shares, and supporting other OMGUS Divisions in their efforts to prohibit banks from voting shares of stock. The big six banks in Germany (Deutsche Bank, Dresdner Bank, Reichskreditgesellschaft, Berliner Handelsgesellschaft, Commerzbank, Reichs Bank) at one time voted the controlling shares in an overwhelmingly number of the largest industires in Germany. The Branch, in cooperation with the Finance Division of OMGUS, is also studying the insurance business in Germany in preparation for a recommendation as to how the insurance giants shall be treated. Many other companion laws and regulations have been drafted and the German economy is being studied to determine how best such basic laws can be implemented.

"Daily problems of the Branch are multifarious and complex and run the gamut from distribution systems, owership patterns, tax questions, corporate structures, etc. to pension, insurance, export-import, price, financial, and interzonal questions.

"The work of the Branch is in a preliminary stage, a period of preparation for the tremendous task of eliminating giganticism in German industry. The number and size of the residual industrial units of production and their relations to each other will be conditioned by factors of technological efficiency and economic need. Pastoralization of Germany is not the goal, since it is intended that industrial units of substantial size will survive. The deconcentration and decartelization program will be correlated with the over-all Military Government plan to establish levels of industry, select plants for reparation, destroy Germany's war potential and reorganize Germany on a democratic basis."*

*Although ONGUS, despairing of quadripartite agreement, had drafted a decartelization law for early promulgation in the American zone of Germany at the time the "Chronicle's" correspondent was in Berlin in September, the law has not yet been issued, as reported from Berlin at the time.

NASD District 13 Committee Elects

The following have been elected by District No. 13 Committee of the National Association of Securities Dealers, Inc., to serve for three year terms beginning Jan. 16, 1947:

For Board of Governors—T. Jerrold Bryce, of Clark, Dodge & Co., New York, N. Y.; Wilbur G. Hoye, of Chas. W. Scranton & Co., New Haven, Conn.

For District No. 13 Committee—Walter F. Blaine, of Goldman, Sachs & Co., New York, N. Y.; Charles P. Cooley, Jr., of Cooley & Company, Hartford, Conn.; R. Parker Kuhn, of The First Boston Corporation, New York, N. Y.; Oliver J. Troster, of Troster, Currie & Summers, New York, N. Y.

The following are duly elected to serve a one-year term beginning Jan. 16, 1947:

For District No. 13 Committee—Richard F. Abbe, of Van Tuyl & Abbe, New York, N. Y.; John F. Wark, of Merrill Lynch, Pierce, Fenner & Beane, New York, N. Y.

Britain and U. S. Elections

(Continued from first page)

London have arrived at the conclusion that Britain could not possibly afford to adopt multilateral trade. But for the American election results the British Government would have had to face the dilemma of choosing between adopting a system it considered to be contrary to the fundamental economic interests of the country and antagonizing American opinion by backing out of an undertaking entered into quite recently. As it is, it is now expected in London that the advent of a Republican majority in both Houses of Congress would effectively prevent the Administration from pursuing the liberal policy inspired by Mr. Cordell Hull's free trade doctrines.

When in December 1945 the government allowed itself to be persuaded by Lord Keynes that multilateral trade is a good thing for its own sake, the main argument used was that, thanks to the American loan, Britain would be in a position to put up with the temporary costs of the multilateral system during the reconstruction period, and that, by the time the proceeds of the loan have been spent, in 1950, normal trade conditions would return. It was fully anticipated that Britain would not be compensated immediately by the advantages of multilateral trade for relinquishing the privileged position in the sterling area. But the view was taken that her trade deficit arising from the change could easily be met for five years or so thanks to the dollar loan.

The unexpected increase of prices in the United States brought about a change of views in this respect. It is now feared in official circles that, as a result of this rise, the proceeds of the loan would be exhausted by 1948. And nobody seriously expects that international trade conditions would become anything like normal by 1948.

The intensified export drive brings in much sterling but very few dollars. It is feared that in a year or two Britain would become a large creditor to Europe and other countries of the Eastern Hemisphere, but she would increase her debts to the Western Hemisphere.

To avoid this, British statesmen are thinking increasingly in terms of bilateralism. The declared policy is to endeavour to reduce imports from the Western Hemisphere and to divert exports from the Eastern Hemisphere. This could not be done to any substantial extent under a regime of non-discrimination, as a result of which Britain would have to put up with her badly balanced trade, in spite of the loss of dollars that it would entail.

The temptation to pursue a bilateralist policy even at the cost of offending the Washington Administration is undoubtedly strong. But it need not come to that. For it is now widely expected that the Republican majority would never endorse any really substantial lowering of the American tariff wall. And in the absence of such a concession, Britain would be at liberty to refuse to accept the multilateral non-discriminative system without in any way going back on her undertaking which was given on the condition that there would be substantial tariff reductions.

This is the way in which prospects are viewed from London. Should the rise in American prices continue, American industrial interests would grow increasingly apprehensive of foreign competition in the home market. They would mobilize all their influence to prevent any encouragement of foreign competition through tariff reductions.

If there should be a slump in the United States, the contraction of demand by the home consumer would make it appear all the more important to avoid the encouragement of foreign competition in the domestic market. In boom or in slump, tariff reductions are certain to encounter strong opposition. And with Congress controlled by the Republicans, that opposition is expected to be effective.

Rightly or wrongly, this is the view that is taken here. For this reason, the announcement of the Administration's intention to negotiate sweeping tariff reductions has failed to create any profound impression in London. Whatever the Administration's intentions may be, the fact that it is now out of sympathy with Congress is considered to be of decisive importance. And suggestions that Congress would back up the Administration's foreign trade policy as it is willing to back up the official foreign policy are viewed with much skepticism.

The Carlat Co. Opens

WHITESTONE, N. Y.—The Carlat Co. is conducting an investment business from offices at 153-16 Tenth Avenue. Partners are Robert Labson, Thorsten Anderson, Serge Trey, Rudolph Russo and James V. Traina.

Hard Money Theory of Interest Rates

(Continued from page 2613)
ditional amount that can be loaned becomes less, so that for practical purposes it is regarded that 10 to 12 times is about the maximum effective credit expansion. Now, one of the bank's depositors decides he wants some cash so withdraws some of this gold, or silver as the case may be, from the bank and in so doing reduces the original $100,000 that the bank operated upon. Thus, if all of the $100,000 had been used for the making of loans and had been expanded to the practical limit, some loans would have to be called to meet this cash withdrawal, or if it had not been expanded to its fullest extent the potential credit expansion provided by the original $100,000 would be reduced proportionately. Although this is a very simple illustration and does not compare with the complexity of modern day banking, nevertheless the fundamental principles are inherent therein and can be applied to the more complex structure. On these principles is based the Hard Money Theory of Interest Rates.

The Trends of the Credit Components in the Past 20 Years

Gold—Until 1933, gold flowed freely in the settlement of trade balances between nations and throughout the United States to carry on commerce and banking. From 1926 through 1930 the level fluctuated within narrow limits around $4 billion. In 1931 to 1933 inclusive the variation was a little wider because of the extreme maladjustments caused by the business depression.

As a forerunner to ensuing developments, the holding of gold by anyone other than the government was prohibited in 1933. All gold had to be turned in to the commercial banks in exchange for an equal amount of currency, the commercial banks in turn were required to ship all the gold they had to the Federal Reserve Banks and receive deposit credits, and the Federal Reserve Banks had to turn over to the government all of the gold they held in exchange for gold certificates. This scheme has prevailed ever since and although gold does not flow freely in commerce its function in the banking system nevertheless is the same. A major change then occurred on Jan. 30, 1934, when the President signed the Gold Reserve Act devaluing the dollar or raising the price of gold from $20.67 per ounce to $35.00 per ounce. The gold stock on Jan. 31, 1934, amounted to $4,033 million so that in the process of revaluation the government made $2,792 million by the increase in the price of gold. This action of the government announced to the world that the United States stood ready to purchase gold from anyone at $35 an ounce and it found many sellers of the yellow metal. Gold began to flow into this country. By the first of 1936 the gold stock had crossed the $10 billion mark and in this period another development was occuring in Europe which hastened the flow of gold. Hitler was rising to power in Germany, and as his strength grew and the war clouds gathered, a large amount of gold found its haven in the United States until the peak was reached toward the end of 1941 at approximately $22,750 million. From then on and until the end of 1945, gold was shipped out of this country to settle trade balances because most of our imports were for cash but most of our exports were lend lease shipments where no cash settlement occurred. At the end of 1945 the gold stock stood at about $20,000 million, but during 1946, especially in the first quarter, some gain in the gold stock was witnessed.

Treasury Currency—This item comprises standard silver dollars, silver bullion against the pledge of which silver certificates and Treasury notes of 1890 are outstanding, subsidiary silver and minor coin, United States notes, and those national bank notes and Federal Reserve Bank notes for the retirement of which funds have been deposited with the Treasurer of the United States. This factor, although smaller, has the same function as gold, and taken together forms the Hard Money base for credit expansion. There has been a gradual rise in this component from just under $2,000 million in 1926 to current levels of about $4,500 million.

Currency in Circulation—From 1926 to 1930, currency in circulation declined very slightly, but rose to small peaks in December of each year for the Christmas season. At this time the level stood around $4,500 million, but as the business depression progresses more currency in circulation was noted and a sharp but temporary rise to $6,711 million occurred in March, 1933, during the banking holiday. However, as deposits continued to mount by reason of the inflow of gold, currency in circulation also continued to mount, until by the beginning of 1940 this factor stood at $7,500 million. The wartime conditions greatly accelerated this trend so that by the end of 1945 currency in circulation stood at about $28,500 million. It slipped off in the first part of 1946 but by the end of the year has exceeded its previous top by a slight margin. This is a negative factor in the hard money credit base.

Federal Reserve Notes—The bulk of our currency outstanding is made up of Federal Reserve Notes, in denominations of $5 or larger. The original Federal Reserve Act provided that the 100% collateral pledged for notes should consist of eligible paper representing discounts by member banks, but permitted the Reserve Banks to reduce their liabilities for Federal Reserve notes by depositing gold or lawful money with their Federal Reserve agents. Revisions of the law provided in 1916 that bills bought in the open market, and in 1917 that gold, gold certificates and member bank promissory notes could be deposited as collateral against Federal Reserve Notes. The Glass-Steagall Act passed in Feb., 1932, provided for the use of Government securities as collateral for a period of one year; this provision has been periodically renewed. The Federal Reserve Act further provided that the Federal Reserve Banks should have reserves of gold certificates equal to at least 40% of Federal Reserve notes in circulation and to at least 35% of deposit liabilities. In July, 1945, the 40% reserve for Federal Reserve notes was reduced by Congress to 25%.

Inasmuch then as a legal portion of Federal Reserve notes may be made up of commercial paper and government securities and are not entirely backed by hard money, this maximum legal requirement must be deducted from currency in circulation before its deduction in turn from the credit base of hard money. The trend of Federal Reserve notes outstanding has closely followed the trend of currency in circulation.

Reserve Requirements—Reserve requirements are set by the Federal Reserve for all member banks. At the present time reserve requirements are 20% of demand deposits for member banks in the central reserve cities of New York and Chicago and a like requirement in other reserve cities. A 14% reserve is required of country banks. A 6% reserve is required of all member banks on time deposits. No reserves are required on government deposits. The average for all banks in the United States is about 10.75% at the present time. However, in the 1920's and on until 1935, required reserves averaged a little under 5%. From then on a gradual increase was noted until a peak of about 14% was reached toward the middle of 1942 and before government deposits were greatly enlarged to finance the war. Reserve requirements tend to restrict credit in the same manner as a withdrawal of currency, but only to the extent that the reserve requirement percentage reduces the hard money base; that is, at the present time 10.75% of the total gold stock plus treasury currency.

Loans and Investments—Loans and Investments in all banks in the United States indicate the use of credit. It is of course recognized that investments in the form of bonds are no different than loans except that they have a longer maturity. These rose from about $50 billion to about $60 billion from the beginning of 1926 through 1929. Subsequently, they declined to about $40 billion early in 1933 and stood at only about $50 billion as late as the end of 1939. Since then this figure steadily mounted until it stood at approximately $140,500 million in January, 1946. The trend in 1946 has been somewhat downward due to the redemption of Federal debt but such reduction has almost been offset by an increase in commercial borrowing.

Reserve Bank Credit Outstanding—As an offset to Loans and Investments by commercial banks, the Federal Reserve Banks rediscount commercial paper from their member banks, purchase bankers acceptances, and buy and sell government securities in the open market. Such action has a direct bearing upon member bank reserves in that while the Federal Reserve Banks could pay cash for purchases in the form of Federal Reserve notes, actually, under normal conditions, they pay by means of their officers' checks on themselves. These checks are deposited by the payees to the credit of their accounts and eventually return to the Federal Reserve Banks that issued them—in the majority of cases as credits to the member bank reserve account. The converse is true when they sell. Ordinarily, payments received are in the form of checks drawn on member banks; and when these checks are collected the result is a reduction in member bank reserve balances. This factor ranged from $1,000 million to $1,500 million between 1926 and the end of 1932 and then jumped to range between $2,000 million and $2,700 million until the middle of 1942. This was substantially increased during the war to bolster the Government's war financing program and now stands at approximately $24,000 million.

The Money Supply Factor

These seven factors have an interrelation one upon the other in the supply and use of credit. The first five determine the supply of the hard money credit base, the last two determine the demand for credit. From this the following formula is obtained:

$$\frac{G + T - (M - C) - Q}{I - R} = F$$

where:—
G = Gold stock (minus $2,796 million after January, 1934).
T = Treasury Currency Outstanding.
M = Money in Circulation.
C = Legal maximum collateral of eligible paper and government securities behind Federal Reserve Notes outstanding.
Q = Average reserve requirements of hard money.
I = Loans and Investments of all banks in the U. S.
R = Reserve Bank Credit outstanding.
F = Money Supply Factor.

In relation to the trend of this money supply factor we have shown its relation to Moody's Aaa bond yields on an inverted scale to the right of the graph. (Because of the logarithmic scale either short or long term rates could be used, but Moody's is most convenient.) The reason for this inversion is of course rather obvious because as the supply of credit gets larger it naturally leads to the fact that interest rates get lower and by so constructing the graph the two lines tend to move in the same direction. It will also be noted that both of these graphs are plotted on logarithmic scales. This is so that no matter how high the Money Supply Factor goes, interest rates can never get to be a negative figure but will approach zero as an asymptote. Conversely, as the Money Supply Factor gets infinitely small money rates will get infinitely large. As thought is devoted to this problem it is of course easy to see that this is what would actually happen in these extreme cases.

Inasmuch as both of these graphs are plotted on logarithmic scales they can be placed one upon another in any convenient position for comparative purposes. Arbitrarily then the average of Moody's Aaa bond yields from 1926 through 1932 and the average of the Money Supply Factor for this same period have been made to coincide. This seven year period was chosen because it was prior to the great changes in the money market beginning in 1933. It begins with what many statistical series consider a somewhat normal year, it includes the boom year of 1929 and depression year of 1932, and it covers a long enough period to be characteristic.

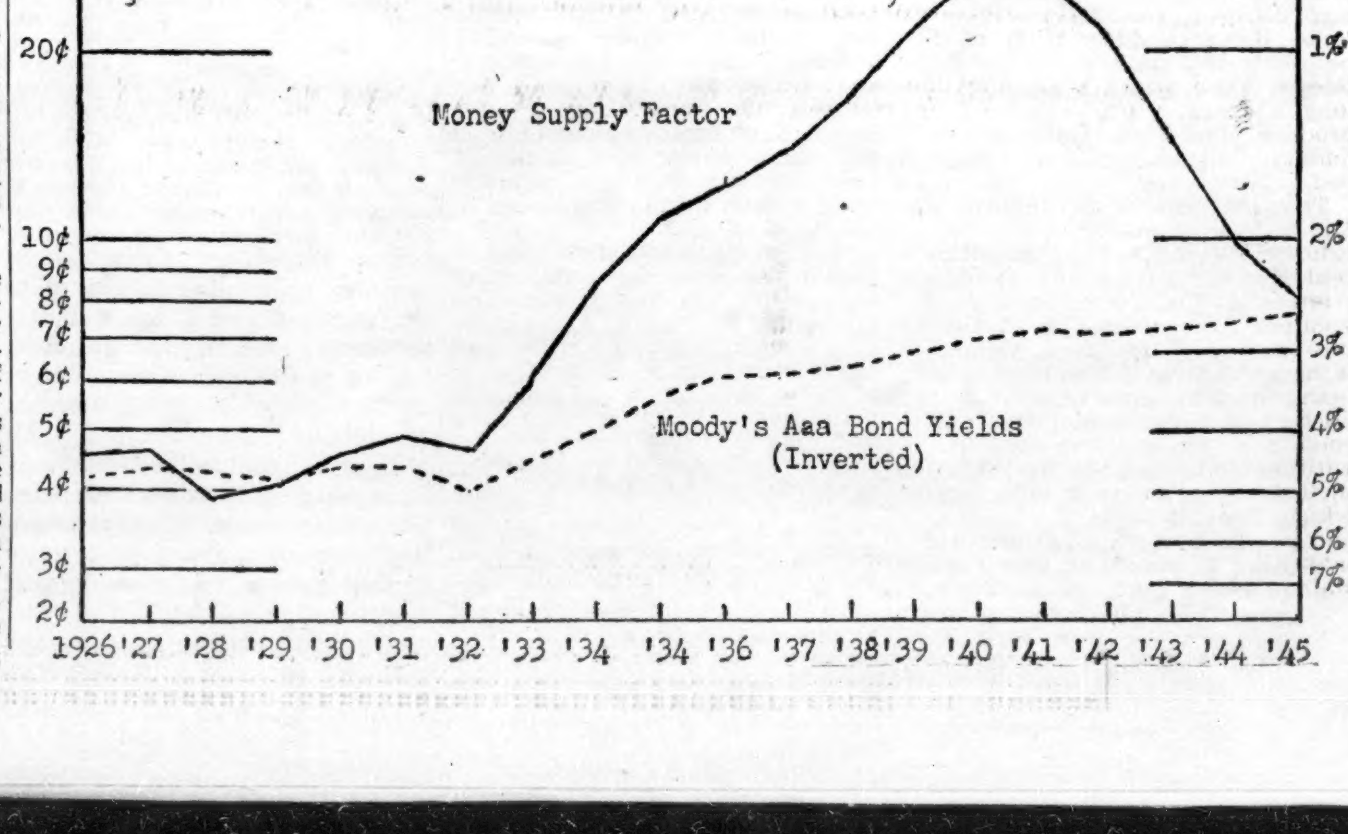
Interest rates and the Money Supply Factor do not altogether coincide in the above graphs during the years 1926 through 1932 for two reasons. First, interest rates do not react quite as strongly as the supply-demand factors themselves as reflected in the Money Supply Factor, but, nevertheless, follow the major trend. Second, this graph is on an annual basis instead of showing the monthly changes which more closely parallel interest rates. After 1932 the inflow of gold greatly stimulated the Money Supply Factor and this was gradually reflected in rising bond prices or lower yields, but it will be noted that interest rates never achieved the high mark of the Money Supply Factor in 1940. In some respects it is fortunate for the Treasury Department that interest rates on the highest grade bonds did not parallel the supply of credit because, if they had, long term Treasury bonds at the beginning of the war would have carried about 1% coupons and by the end of the war this rate would have risen to about the 2½% level. If this had happened the Treasury Department and the Federal Reserve Board could not claim quite such a good record in their financing job.

However, the great potential of credit existing at the beginning of the war explains why the government was able to accomplish the unprecedented fact of financing a major war (and it was by far the greatest and most expensive in history) on declining interest rates. This is one major fact to prove this theory is correct, and the above graph now shows that this credit potential has just about been exhausted at current interest rates.

As a result, we have had the second major proof of this theory occur during the past six months. Government and other high grade bonds have declined sharply, especially in the longer term maturities. In the short term money market several of the large New York banks in July increased their rates on call money and bankers acceptances and other banks have since followed suit. Further developments will, we believe, substantiate this theory, but these two developments are proof enough for us, and we trust for our readers also, that these seven factors are the prime factors governing credit conditions.

What then is the outlook for the future of interest rates? If the components of the Money Supply Factor continue their trend toward lower levels, interest rates will surely rise. Therefore, the question resolves itself into what is the outlook for the seven component forces?

The following graph shows the change in this Money Supply Factor as worked out by the above formula from 1926 through 1945.



Marketing Official Sees Need for Food Stamp Plan to Meet Impending Crisis in Agriculture

(Continued from page 2619)

ployment or reduced incomes, Mr. Halnan believes.

Viewed from the government angle, the problem might be met, Mr. Halnan has indicated, by the use of the Food Stamp Plan whereby surplus foodstuffs may find their way to the lowest income groups or, in the event of actual widespread unemployment, to the unemployed. Some such device will certainly be necessary if the nation's surplus food crops are to be utilized in the future, Mr. Halnan is convinced.

The particular angle of the farm problem posed by the demand of the farmers for parity prices for their crops — even in the face of huge surpluses — will also become complicated in the years just ahead, Mr. Halnan believes, through a general reduction in production costs from the wider use of machinery and the introduction of mass production methods on a rather broad scale by the farmers of the country.

Perhaps it should be pointed out here that Administration officials have erred before in making predictions about the course of business trends. It will be recalled that a chorus of voices in Washington predicted a severe slump in business with attendant unemployment and distress throughout the country following V-J Day but it hardly needs to be said that these dire events have not yet come to pass. Perhaps it is only the timing that is in error but, in any event, the prediction can hardly be said to be mathematically accurate. Besides, even according to Mr. Hanan's own figures, the demand abroad for American farm crops is still very large although admittedly not as great as during the war.

It could be added, too, that many observers are not exactly alarmed over the prospect that agriculture must now go through a period of transition as they expected right along that farmers would have to adjust themselves to the new conditions imposed by a world at peace.

On the other hand, economists generally recognize the absence of a healthy resiliency in the agricultural production processes. Size of farm output does not respond even over relatively long periods of time in a positive fashion to changes in demand. At least, such was the American experience in the decade and more after the last great war. It would seem that, in a declining price market, the American farmer tries to maintain his income at previously high levels by increasing —not decreasing—his output and so contributing, as it were, to surplus stores rather than taking care of the actual needs of the market and, in the process, only helping to depress the market further.

In such a situation, subsidies, by creating a market for agricultural products where one doesn't exist, can alleviate some genuine distress among farmers but it must be recognized that if this practice is perpetuated over really long periods of time marginal producers are encouraged to remain in business, thus making a bad situation worse.

That the problem visualized by Mr. Halnan is not entirely in the future is evident from the current stocks of certain surplus farm crops, such as the Long Island potatoes. According to Mr. Halnan the problem is not at all local. It is nationwide in character but is being handled locally, he says. Each particular region of the country distributes surpluses within its own boundaries except in the case of fruits and the like which grow in only one section and in which case one region may make demands on the other, Mr. Halnan points out.

The situation with regard to Long Island potatoes came to light when it became known that a women's civic group was anxious to obtain some of the surplus they knew to exist for certain welfare institutions in which they were interested. The publicity the matter received had the immediate effect of letting people know about the availability of the potatoes who had been wholly in the dark on the question before. It seems that only the large, well-organized welfare agencies who have paid help to notice such things knew about the existence and the availability of the potatoes. Perhaps the demand for Long Island potatoes is greater than commonly supposed since many inquiries concerning the surplus stocks came from institutions that are definitely not in the no-profit class.

James Lees Stocks Offered by Morgan Stanley & Co.

The first public financing for the century-old James Lees and Sons Co. is being undertaken in connection with the offering today (Thursday) by an investment banking group headed by Morgan Stanley & Co. of 15,601 of 3.85% cumulative preferred shares and 203,833 shares of common stock of the company. The preferred stock is priced at $102.50 per share and accrued dividends and the common stock at $26 per share. The preferred is part of a new issue of 30,000 shares, of which 14,399 shares are being offered to the holders of the company's outstanding 7% cumulative preferred stock on a share-for-share exchange basis.

James Lees and Sons Co., incorporated in Pennsylvania in 1895, succeeded to a business originally established in 1846 by James Lees. Management and control have remained continuously in the hands of his descendants. The company is engaged in the manufacture and sale of wool pile carpets and rugs of Wilton, Velvet and Axminster weaves and in the manufacture of wool yarns, including woolen carpet yarns and worsted knitting yarns. The company sells carpets, rugs and hand knitting yarns directly to retail outlets, its carpet yarns to other carpet manufacturers and its worsted knitting yarns to manufacturers of knit-wear. The company's two principal plants are located at Bridgeport, Pa., and Glasgow, Va. It also has plants at Philadelphia and Carlisle, Pa.

Proceeds from the sale of 15,601 shares of preferred stock and such preferred stock as is not taken under the company's exchange offer will reimburse working capital in part for expenditures made and to be made for a new mill at the Glasgow plant and to redeem any unexchanged shares of 7% preferred stock.

The 203,833 shares of common stock are being sold for the account of certain selling stockholders. The offering constitutes approximately 25% of the outstanding common stock of the company.

For the first nine months of 1946 James Lees and Sons Co. reported net sales of $21,647,604 and net income of $2,856,287. For the year ended Dec. 31, 1945, net sales were $22,525,473 and net income $909,771. Outstanding capitalization of the company, giving effect to this financing, consists of 30,000 shares of new 3.85% cumulative preferred stock and 817,500 shares of common stock.

The America of Tomorrow—An Optimistic Outlook

(Continued from page 2605)

living, and our continued prosperity.

Let me repeat the one fact of which we must not lose sight. This country is now experiencing the greatest period of prosperity in its history.

It is important that we focus our attention on this fact—because it is the key to the formulation of our fiscal program.

Determining the Level of Taxes

Consideration must be given our present prosperity when we come to determine the level of taxes which may be maintained at this time without imposing undue restraints upon enterprise. The amount of our revenues will, in turn, determine the surplus that can be applied to the reduction of our public debt.

On the fiscal side of the picture, one of the most important problems is the maintaining of the integrity of our currency. It is vital to us domestically, and it is extremely important to us in the foreign field.

When I took office as Secretary of the Treasury, I stated that it is the responsibility of the government to reduce its expenditures in every possible way, and to achieve a balanced budget. I would add that it is imperative that we reduce our debt burden now, while we are experiencing great prosperity. We must approach this issue with the same courage that we have other important problems of the past.

Aside from its relation to our fiscal policies, there are other urgent reasons why we should keep firmly in mind the fact of our present economic well-being. We need to guard against the developing depression psychology in this country, which might, if unrestrained, see us literally talk ourselves into at least a temporary period of hard times.

I believe you will agree that a man perfectly well might find himself in a hospital in short order if his friends should start collectively feeling his pulse at frequent intervals, running apprehensive hands over his brow, and telling him again and again how wretched he looked. He would be a strong minded man indeed if he didn't get sick under such treatment.

I do not see how a fair appraisal of "America Today" can justify any feeling that a material recession in "America Tomorrow" is inevitable.

Depression Psychology

We now have the highest level of employment ever experienced in peacetime in the history of this country. We have the huge accumulation of personal savings; the unprecedented demand for goods and services. Indices of material production, carloadings, electric power, and the like, bear eloquent testimony to our progress since the cessation of hostilities.

Freight carloadings late in October rose to the highest level since October, 1930, when the average per-car capacity was much smaller than it is now.

Industrial production has risen to a peacetime high. The Federal Reserve Board's adjusted index of production for September stands at 177% of the 1935-39 average.

Steel ingot production in November has risen above 91% of capacity—a new postwar high.

Electric power output in the first week of this month rose to the highest level on record, although the seasonal peak has not yet been reached.

Textile production in September equalled the peacetime peak reached earlier this year with output at 165% of the 1935-39 average.

More and more durable consumer goods are reaching the market in quantities exceeding those of before the war—in September, shipments of washing machines, vacuum cleaners, electric ranges, radios and gas ranges were from 20 to 50% above prewar levels.

Private building construction is at the highest level since the '20s. The output of many building materials reached new postwar highs in September; some reached all-time highs.

The production of lumber products in September was 135% of the 1935-39 average.

Civilian employment has increased 4,000,000 since the end of the war, and was approximately 57,400,000 in October.

And yet there exists the greatest demand for every product of the manufacturer and the farmer. Our present production, despite its record volume, still is insufficient to meet that demand.

I am not trying to paint an over-optimistic picture. As scarce items begin to reappear in volume, there will be less of a rush to purchase than appears today. But even with liberal allowance for this factor, I fell that we can be assured of continued prosperous business for some years to come—if we have continued cooperation in all fields—government, management, capital, labor and agriculture.

And in addition there is the foreign demand for our products the greatest ever, a demand which we have not even begun to meet. Re-establishment of world shipping, with our own Merchant Marine playing an important role, will provide a vast outlet for our farms and factories.

With our full support and leadership, the nations have set out to create a favorable atmosphere for expanding world trade. The mechanisms set up to expedite world reconstruction and development are now functioning, and from these cooperative endeavors we shall be in a position to profit greatly in both a material and a moral sense.

It is not necessary to detail the causes and manifestations of the depression of the 30s in refuting any similarity between present conditions and the economic trends of the 20s.

Present Situation Greatly Improved Over Previous Periods

But, fully as important as the vastly improved economic and financial situation of this year 1946, as compared with 1929, is this significant factor. Out of the new social consciousness of the American people have been created safeguards and supports that have basically strengthened the foundations of our economy.

I am confident that these social gains made in recent years will go a long way in preventing any future recession from reaching such proportions as the last economic breakdown.

To cite one example, I am sure that there is no one here tonight who would be willing to give up the safeguards provided for the savings of our people by the Federal Deposit Insurance legislation.

The near collapse of our banking system was one of the most serious developments of the depression of the 30s. By contrast, our banks are today in a very sound position. We can count among our very real assets the confidence of the people in our banking structure.

Economists agree that the marked decline in farm incomes was one of the major causes of the last depression. Today, farm income is not only at record levels, but preventive measures have been provided to check any downward trend that might develop.

Not only is employment now at a peacetime peak, but through the provisions of the Social Security legislation, we have Federally-sponsored State unemployment insurance. With this protection there is no danger of a sudden and far-reaching curtailment of individual income.

I am sure that none of us would want to abandon the Social Security program.

Another cause for economic assurance is found in the operations of the Securities and Exchange Commission. Through its protective services, investors in securities are more certain of the soundness of their investments today.

There have, perhaps, been excesses of speculation in some areas; but, due to safeguards established, the over-expansion of credit in this field during inflationary times has been held to a minimum.

The liquid assets of individuals are now about $190,000,000,000—an all-time high. This compares with less than $70,000,000,000 at the end of 1941. These assets are more widely distributed than ever before, which is another important factor in our economic well-being.

The net working capital of American corporations nearly doubled during the war years, and was estimated at $54,000,000,000 at the end of June—a record high.

In the realm of unsatisfied production demand, the present shortage of housing looms large. It will take years to fill this demand. This housing shortage, moreover, is matched by a large volume of private funds ready to be used in the building program. We have provided machinery, such as Federal Housing Administration and the Home Loan Bank System, to bring builders and lenders together.

I would not discount those problems that are still to be met in our transition from war to peace. Foremost among them is the fact that we still are faced with a great number of shortages in materials, and certain production limitations which, in the face of excess demands, cause inflationary trends to persist.

It is still essential that consumer, distributor, and producer alike exercise restraint until the rising tide of production can assure adequate supplies of all goods at fair prices.

But, as a people, we have cause for gratification that we have emerged from the war years with renewed faith in the fundamental principle of a free enterprise system. It is under such a system, I believe, that the individual has the greatest opportunity for prosperity and common service.

I am certain that if we could detach ourselves from our immediate surroundings, and get an objective view of America, we would see a really powerful and magnificently prosperous country, the like of which has never been seen in the world.

Let us combine all of our advantages into a driving force to insure a rich and prosperous "America of Tomorrow."

Edw. Kelly With Robinson

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Edward J. Kelly, formerly with Bache & Co., has become associated with Robinson & Co., 231 South La Salle Street, members of the New York and Chicago Stock Exchanges.

A. C. Allyn Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—A. C. Allyn and Co., Inc., 100 West Monroe Street, have added Owen Cort and William L. Kerbey to their staff. Both were previously in the armed services.

With Municipal Secs. Co.

(Special to THE FINANCIAL CHRONICLE)

GREENSBORO, N. C.—Louis L. Moorman, Jr., has become associated with Municipal Securities Co., Guilford Bldg.

The Mountain Labored —Result: One Mouse

(Continued from page 2603)

surrender on the part of the OPA, CPA, Wage Stabilization Board and the other Washington agencies; which at long last have been ordered to drop all but the final traces of their once-great powers to rule our economy in their respective realms.

Now the Federal Reserve Board, which participated in this program of operating a controlled economy during the war through its influence over consumer credit as well as in other directions, moves to adapt itself to the national trend—but it seems that the Board is only a most grudging follower of the new course of the nation.

The Board itself said last Friday that it is continuing to restrict credit terms to a one-third down payment and a maximum financing period of 15 months on the products which "constitute the great dollar bulk of credit subject to the widest expansion and contraction." In other words, even the Board certifies that it has decontrolled very little.

The Discrimination Against Hard Goods

To be sure, *soft* goods purchases and similar items now may be handled on a credit basis, according to rules prescribed by experienced credit men and the needs and wishes of the purchasers. With the greatest Christmas buying spree in history ahead, as merchandisers cheerfully predict in the soft goods field, we can expect appeals to "Buy Before Christmas, Pay in February," as the Christmas spirit is abetted by relaxed controls.

Spokesmen for the merchandising groups that are freed of Regulation W restrictions have approved the move with respect to their activities and some have said relaxation has gone far enough. Their motives are understandable and may be received almost sympathetically, since the net result of the Board's action has been to deliver to them a larger share of the consumer's credit business, while continuing to limit other sellers who normally might compete for the consumer's expenditures on credit.

The Board evidently feels that inflationary dangers still lie in any material relaxation of credit terms on *hard* goods sales. The Board also feels, as Myron R. Bone, editor of "The Industrial Banker," pointed out in these columns as late as Aug. 29, that it should have a permanent grant of power from Congress to regulate the terms and conditions of consumer credit. This he castigated as being a prime example of bureaucratic desire for a thoroughly planned and controlled economy. Mr. Bone also made a strong case at that time contradicting the Board's doctrine that the volume of consumer credit in any important degree affects the business cycle, pointing out that it never exceeded one-third of outstanding commercial bank loans or one-half the annual volume of personal and business taxes.

That the Board is still hanging on to the dangerous grasping for increased and permanent power is evident in the pronouncement on Friday, when it recommended that "Congress give consideration to the question of whether regulation of consumer credit should be continued on a peacetime basis as a subordinate but contributory factor in the maintenance of economic stability."

Board's Policy on Automobiles Deflationary

The plain fact is that the maintenance of credit controls on such articles as automobiles creates a deflationary situation, because it demonstrably removes from the market (as the Board apparently wishes) most wage earners, veterans and others without substantial cash savings. The needs of these people for adequate transportation are surely not less important and pressing than those of individuals who have heavy cash accumulations.

The man who is building autos on the line in Detroit today, if he is in the same position as a majority of his fellows, cannot buy one of the cars he is producing. His weekly wage will average about $53. In the face of all the demands on this income, to purchase a $1,500 automobile under the harsh instalment terms required by the Board's credit-managing Regulation W, he can buy on time only if he will make a down payment of approximately $500 and find the money for monthly payments of $80 to $85 for the 15 months over which he is permitted to finance his car.

Aggravates Labor Situation

As an alternate to putting almost two weeks' wages a month into a car purchase, he must either pay cash or drop out of the new car market. His inability to enjoy the fruits of his own work may cause him to agitate for higher wages, and even to strike; so Reserve policy is really aggravating the already critical labor situation.

Car prices have risen. Therefore, even on uncontrolled credit terms calling for a payment period in the range of 24 months, the time buyer must expect to pay $50 or more a month (depending on the size of his down payment). Surely this is steep enough for the average wage earner, but represents to him a substantially more feasible proposition than an obligation to pay $85 a month.

Thus far it has been possible to ignore him and his fellows; and to support the new-automobile market, with limited output and enormous deferred demands, on the purchases of people who, in the main, possessed capital reserves sufficiently large to lay down the full amount in cash for their car. Instalment-purchase volume in the auto field hence is still very small.

However, it is difficult to believe that this country can absorb 4,000,000 or more new automobiles a year unless the wage earner is considered as the prime prospect. If Detroit must depend on customers with cash savings sufficient to swing the purchase of its new and higher-priced products, it will find up to 80% of all American families eliminated from its prospect list, according to the figures found in the recent Federal Reserve Board analysis of current family unit savings and earned income.

It may be presumed that the Board has no intention of maintaining restraints on credit so drastic that the production of new cars and appliances must back up for lack of purchasing power or credit. But the Board must act very promptly in relaxing all controls; or else the Board's restrictions, founded on a fear of inflation, will serve to deflate the most powerful market and demand in our history—if not actually to send these vital durable goods manufacturing industries spiraling into a bad slump.

Regulation W, like all government activities, requires a bureaucracy, necessary for its exercise of government police power, checking of hundreds of thousands of business accounts, bank records, etc. On the basis of simple Federal economy, the reduction of the cost of running the business of government (firmly endorsed by the recent electorate), the abolition of Regulation W would have a favorable effect.

The Question of Basic Economic Policy

It is surely a fair question to ask just what the Board is trying to do beyond perpetuating its own powers in the credit field. It continues its vigorous struggle against so-called inflation, via the government-planned-economy route, while the government, of which it is an agency, already has abandoned this field to the forces of economic freedom. With wage controls gone, price controls ended, most priorities junked, it firmly hangs on to a control which is, at best, the control over a *method* of payment only, while prices themselves, and wages—the two fundamental economic forces controlling the value of money—are allowed to find their own level under free competition.

This action cannot affirmatively prevent inflation as such, per Mr. Bone's conclusions, on the basic leverage force of consumer credit. In merely inching toward a status of free economy while the entire nation is boldly and rapidly moving into that normal and necessary situation, required for prosperity in peacetime, the Board can only hamper the free flow of business operations and the attainment of broad markets which mean better living for the average American worker and consumer!

The CIO and Wages

(Continued from page 2609)

During the early period of reconversion, industry assumed direct responsibility for all of the programs incident to the expeditious reconversion of our manufacturing enterprises from wartime to peacetime needs. The American work week was shortened from something approximating 54 or 60 hours to something less than 40 hours. The shortening of the work week eliminated overtime payments and cast a rather heavy economic shadow over the homes of millions of workers throughout the United States. Because the shortening of the work week, and the discontinuance of overtime payments, resulted in substantial losses in the weekly earnings of American wage earners.

Hence, to meet the economic needs of the people, this mighty organization undertook the direct responsibility of formulating the wage programs designed to furnish enough money to the wage earners in this nation of ours, first, to provide them with the essentials of life, and, secondly, to provide the necessary purchasing power essential to the acceleration of speedy reconversion and full employment.

In the course of our wage considerations during the latter part of 1945 and the early part of 1946 this organization contended that the profit-making aspects of the industrial picture were such that American industry could absorb the payment of a substantial wage increase without necessarily increasing prices. When argument was adduced by representatives of CIO organizations to that effect. The employers of labor, in making answer, observed that they would have to secure price increases.

For the period of approximately four to five months, beginning with the latter part of 1945 and continuing through to the early Spring of 1946, this wage struggle continued—the wage earners contending that they needed the money, they needed the bread, they needed the butter, they needed the shelter, they needed the clothing, they needed the medicine. However, the Office of Price Administration, which was in existence during those days, saw fit to break down completely the barriers of price control, in extraordinary if not altogether humiliating fashion. The OPA acceded to the demands of the employers in elevating the prices of particular commodities until these prices reached almost unbelievable inflationary trends.

Well, it is not for me to recall the history of the strikes that took place in the early part of 1946. That is history, but it might be advisable, under the circumstances, again to refresh the minds of the delegates as to the attitude assumed by this organization in the course of those wage deliberations before strikes even took place. And I do so to again pointedly bring to the attention of the American people, through the medium of this convention, one extremely important and incontrovertible fact. That is this: no organization affiliated with the Congress of Industrial Organizations in the early part of 1946, whilst the nation was undergoing the rigors of its wage struggles, precipitated a strike. Not a single solitary organization affiliated with this CIO movement in the early part of 1946, of its own volition, precipitated a strike. I have but to point to the record. The record speaks for itself.

The mighty steel industry, which, by the way, is regarded as a barometer for matters affecting trade, wages, and so forth, shall be used at this juncture as an example, because it was out of that industry's period of collective bargaining, if one should call it such, that the original 18½ cent per hour pattern was evolved and applied to most of the major basic industry in the United States of America. A record, therefore, of some of the things that transpired in the course of those collective bargaining deliberations might be of some interest, even at this moment.

The United Steel Workers of America endeavored earnestly and with all of the sincerity at its command, to effectuate a peaceable collective bargaining agreement with the major companies in the steel industry. Our collective bargaining efforts broke down. Conferences ensued with Mr. Benjamin Fairless and myself in New York during the early part of January, 1946. In the course of those conferences, the President of the United Steel Workers of America, recognizing his responsibilities not only to his membership but to his country, virtually entreated the President of the United States Steel Corporation to effectuate a peaceable working agreement without resort to stoppage. We failed in that effort. When failure in that stage of the proceedings became known, the President of the United States of America asked for a conference with Mr. Fairless and me at the White House.

In the course of that conference, the President of the United States asked me, as the agent of the United Steel Workers of America, if I would delay the calling of a strike in the steel industry for one week. This was to provide him with the opportunity to look into the matter to see what it was that he could do, as the representative of the American people, to bring about agreement between the conflicting parties. We responded to the President's appeal. We called our strike off and the President assumed the role of mediator, conciliator and arbitrator. He heard all of the pertinent testimony from both the representatives of the steel industry and of the United Steel Workers of America. In the course of that week he rendered a decision. He, the President of the United States, rendered a decision. Speaking for the people, representing all of the people, he rendered a decision. The Union accepted the decision of the President of the United States and the steel industry politely told the government,

through the President, that they were not going to accept his recommendation.

A strike took place—a strike that lasted for a period of approximately three weeks. Who—who was to blame for that strike? I ask those in this hall and the multitude of people, members and non-members of labor organizations—outside of this hall, who, under those conditions should be held responsible for the steel strike? The steel industry had definitely and very arrogantly said to the President of the United States, "We will not accept your decision."

A strike took place that lasted for a period of approximately three weeks. Who was striking? Who was striking against the government at that time? Was it labor? Was it the Steel Workers? Who was it? It was the heart and core of Big Business striking against the Government, striking against a decision made by the President of the United States of America. The steel industry continued its strike against this government of ours for a period of three weeks, until it defeated the will of the people and it defeated the Government of the United States.

Wage increases amounted to a figure approximating $165,000,000 for all of the employees in the basic manufacturing steel industry. But the steel industry eventually perfected an agreement with the United Steel Workers of America only after the Office of Price Administration and the Director of Economic Stabilization had acceded to their demands and according them price increases approximating $300,000,000 for a $165,000,000 wage increase.

That, my friends, is a record. It is a fact. An uncontrovertible fact. It is the kind of fact that no one here in this country of ours can successfully deny, because the record is there.

I take you now to the automobile industry, where experiences were undergone due to strikes. In that situation the Government of the United States appointed a fact-finding board—a board to ascertain all of the pertinent facts involved in the issue which presented itself at that time to both the union and the industry. In the automobile situation, the fact-finding board found for a wage increase approximating 18½ cents. The union accepted. The industry refused.

A protracted strike ensued. And who was responsible for the continuation of that strike? Again a CIO union had accepted a government verdict. The industry had refused to accept it. Hence the public had to be discommoded and the people had to suffer. strikers had to go without bread and butter and other necessaries of life because the automobile industry, in its arrogance, had said "no" to another government agency.

Electrical Workers' Strike

Another all-important fact that might be pertinent to this particular wage issue and which also will refresh your memories, was the experience which another CIO organization had to undergo. I speak now with particular reference to an investigating committee of impartial conciliators, mediators, fact finders or arbitrators. This committee, composed of Arthur Meyer and William H. Davis, was named to look into the situation affecting the strike of the United Electrical Workers at the properties of the Westinghouse Manufacturing Company. And what happened there? After some extended hearings before this investigating board, the Westinghouse Manufacturing Company walked out of the meetings. It refused to accept governmental mediation. It struck against the union. It struck against its employees. It defied the Government of the United States that had selected a fact-finding board to make certain recommendations affecting that situation.

Why was the oil strike a protracted strike? It is true the oil strike was called before any fact-finding board was appointed. It is, nevertheless, a fact that the Government of the United States did appoint a fact-finding board that found and made recommendations, and the oil industry, for all practical purposes, refused to accept the findings of that board, necessitating an extended strike.

What happened with reference to the packing house dispute? There again, another fact-finding board was appointed, and there again was evidenced unwillingness on the part of the major packers of this country to accept a decision from a governmental agency.

I could continue enumerating other specific situations where strikes occurred in the early part of 1946. But I do believe that from these examples it should become evident to any fair-minded man or woman that the CIO, in the early part of 1946 and the latter part of 1945, displayed the keenest interest in the protection of not only the interests of its own members, but the interests of our country, and also the acceleration of the very necessary reconversion needs of the people of the United States.

I point these facts up for the purpose of making one assertion that the public press, which in too many instances has resorted to the use of diabolical slander and misrepresentation, should now take occasion to tell the truth and nothing but the pure unadulterated truth.

Holds No Price Increases Necessary

Since our experiences of last spring and last winter, other things also have transpired. When our original 18½ cents was accorded us in the early part of the present year, American labor had a Presidential understanding, emanated from our Government's economists, who prepared an exhaustive study for the consideration of the President of the United States as early as a year ago last August. In that study, prepared by White House economists, there was submitted to the President of the United States, through the Director of Economic Stabilization and by the Office of War Mobilization and Reconversion, a factual report, which suggested as early as September, 1945, that American business, by and large, could afford to make possible the payment of 24% in wage increases without necessarily disturbing or agitating any inflationary spirals in this country.

That was not a CIO report. It was not a biased report emanating from research organizations attached to CIO, that was a government report submitted to the President of the United States by his own employees, employees of the Government of the United States, this is a matter of record.

All right. Off that record came the conviction on the part of the President of the United States of America that these substantial wage increases, which later were to be accorded to American labor. could be conceded by American industry without necessarily either agitating or disturbing the inflationary spiral. The President of the United States of America so stated.

But what has happened since that time? What has happened to this economy? It might be interesting to reveal some of the almost startling revelations that have occurred in the course of the past five or six months. Certainly, the 18½ cent wage increase has been completely wiped out. Certainly, it is true that a steel-workers wage, which amounted to $56.32 in March of 1946, is now $43.28, based on the value of his earning power. So as a potential consumer, as a worker, a man obligated to raise and protect a family under our American system, his earning status now is $13.04 less today than it was in March of last year.

Rather interesting! Rather startling! But nevertheless true. That happens to be the status of the American wage earner today.

Holds Corporate Profits Excessive

What has happened to the employer in the meantime? What has happened to the employer interests in the United States in this period to which I make reference is very interesting.

In the year 1939, the year prior to the war—and that was accepted as sort of a year that should be used for the purpose of balancing things during the war: in the year 1939, corporate profits after taxes were $5 billions here in the United States.

Shall we follow through from 1944 until now? What is it now? What sort of a financial status do they occupy now compared to the peak period during the war? Is it less than it was in the peace period of 1939? Is it less than it was during the peak period of 1944? No. No. To the contrary, evidence adduced, facts reported, emanating from governmental sources, indicate that profits for the last quarter of 1946 can reap for American corporate interests a $15 billions profit predicated upon that rate for the last quarter of 1946. This is an unprecedented profit. A higher profit than ever experienced at any time in the history of American business.

Will you take time to contrast that profit picture of American corporate business, as against that of the American wage earner today? The American wage earner, whose living status is now $11.04 per week less than it was in February and March of 1946.

Who is paying this bill? Why are there so many rumors emanating from so many sources about the dangerous aspects of a predicted recession or depression sometime during the year of 1947? What could be more dangerous to our national economy, what might constitute a greater threat to full employment and full production in the United States than this distorted, wholly inequitable distribution of our national wealth?

I say that a $15 billion profit for American industry constitutes a threat to our national economy, and graver threat to the maintenance of our system of free enterprise in the United States of America.

These people who propagate false notions about American labor attribute many of the economic ills of the nation to American labor. But in their distortion of the facts, they never attempt to present to the American people the simple, pure unadultered truth.

It is asserted that certain interests here in the United States threaten our institutions and threaten our form of government—and I speak now with particular reference to allegations made concerning the Communist Party. But what could constitute a graver threat to the perpetuity of our free existence in the United States of America, our democratic way of life in America, than this fiscal picture that I have taken the privilege of presenting to you here in this forenoon session of this convention? It is a far greater threat than anything which ever presented itself to the people of the United States.

My mind's eye goes back to those old days when we went through our last depression, that boom and bust period. The boom is on in the fourth quarter of 1946, and if there is a continuation of these staggering profits at the expense of the American people and the American wage earner, the bust is bound to follow. No one can stop it except the exploiters, the exploiters of our system, and the exploiters of our people.

Our convention must necessarily direct its attention to a solution of some of these very vexing problems as they are presented to it in the course of your present deliberations.

Effect of Republican Victory

There are other aspects of this situation to which I must necessarily direct your attention before the convention is called to order. Some people here in our country have the peculiar notion that as a result of the Republican landslide in the elections of November 5th, the Republican Party has been given a mandate to do certain things to American labor. Is there anyone in this convention hall, or any sincere thinking individual anywhere in the United States of America, who could believe in the innermost recesses of his heart, his conscience, his mind, that the voters of the United States of America gave to the Republican Party a mandate to put a cross on the back of Labor, march it to Capital Hill, and there in public gaze witness the actual crucifixion of American Labor? Can anybody believe that? Does the Republican Party believe that? Do the leaders of that Party believe that? If they do, they are making a grave mistake. No, they can't do that to the American people.

American Foreign Relief and Peace

I witness sometimes with awe the reaction of certain elements of our society to things that are transpiring in our midst. I often wonder why it is that people in many other lands, following the recent election, view with a degree of suspicion the motives of certain people here in the United States of America—why is there belief in many quarters that our money is being utilized for the purpose of changing the thinking of people in many countries, in the distribution of relief, in the lending of money and in other ways. It would indeed be regrettable and most unfortunate if the lending, gift-giving propensities of the American Government should be utilized for the purpose of forcing our way of thinking down the throats of many people all over this world. I make this assertion because this kind of thinking is going on in many places throughout the world. It is the business—it is the duty of the Congress of Industrial Organizations to direct the attention of the American people to the dangers which might very well beset us as a result of the promotion of such foolhardy policies.

I am proud, yes, very proud of the record that this great organization of ours has made for itself, and of the many contributions that this mighty organization has made toward the well-being of America, to all of her people.

War has passed and days of peace, we hope, are to come. We pray God, through the medium of this convention, that the representatives of the Powers now meeting in the City of New York will effectuate for the peoples of the universe a permanent peace, according the utmost degree of security for all people against the ravages of war in the years ahead. And it shall be the business of this mighty union to lend whatever constructive support it may be able to render toward the attainment of these lofty goals. I know they will. I know these unions will.

We are meeting here today, the 18th day of November, 1946, stronger than ever before—numerically stronger, stronger in heart, stronger in mind. In the course of our deliberations we will undoubtedly assess our responsibilities and our obligations to the people whom we are privileged to represent and also to our great and beloved country, the United States of America.

I thank you for your indulgence in the course of this opening address and ask for your cooperation, while the convention is in session, while I am presiding over your destinies as the President of this Organization in the course of this meeting.

Morris Paper Mills Stks. Placed on Market

An underwriting group, headed by Hallgarten & Co., today is offering 29,192 shares of 4¾% cumulative preferred stock, $50 par value, and 54,486 shares of $10 par value common stock of Morris Paper Mills, Chicago. The preferred stock is priced to the public at $50 per share, plus accrued dividends from Oct. 1, 1946, and the common shares are priced at $18 each.

The shares presently being offered are being sold for the account of selling shareholders and no proceeds from the sale will accrue to the company.

Outstanding capitalization of the company consists of 30,000 shares of 4¾% cumulative preferred stock, $50 par value, and 250,000 shares of common stock, $10 par value. There is no funded debt.

Morris Paper Mills was organized under Illinois laws on Sept. 9, 1915. The Lindley Box & Paper Co., an Indiana corporation, was merged into Morris Paper Mills on March 30, 1946, with the latter company as the continuing corporation. Since its organization, the company has been continuously engaged in the operation of a paperboard mill and box factory, manufacturing paperboard and converting it into folding paper boxes of various types.

Consolidated net profit of the company and Lindley for the nine months ended Sept. 30, 1946, amounted to $652,086. For the full calendar year 1945, net profit was $309,359. The consolidated balance sheet as of Sept. 30, 1946, shows total current assets, including $1,909,581 in cash and U. S. Government securities, of $3,829,735, while total current liabilities were $435,226.

Westheimer Co. Adds Scott

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, OHIO—Elmer O. Scott is now with Westheimer and Co., 326 Walnut Street, members of the New York and Cincinnati Stock Exchanges. Mr. Scott prior to serving in the armed forces was for many years associated with Dominick & Dominick in New York City.

With Walston Hoffman Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF. — Frank O. Bruck has become connected with Walston, Hoffman & Goodwin, 550 South Spring Street. Mr. Bruck was previously with Morton Seidel & Co., William H. Jones & Co. and Oscar F. Kraft & Co.

Thomson & McKinnon Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

WEST PALM BEACH, FLA.—John F. Gaynor has been added to the staff of Thomson & McKinnon, 319 Clematis Street.

With Thomson, McKinnon

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, FLA. — Thomson & McKinnon, 340 Central Avenue, have added William R. Howard to their staff.

With State Bond & Mortgage Co.

(Special to THE FINANCIAL CHRONICLE)

NEW ULM, MINN. — Walter Phillips is with State Bond & Mortgage Co., 26½ North Minnesota Street.

Bread and Liberty

(Continued from page 2607)

Mich. That meeting produced an historic word: "participation." The Republican Party promised full-hearted participation in the affairs of the world for the sake of world peace and world prosperity.

If this country happened to be ruled by a dictatorship or a socialistic oligarchy, then it could still participate in world affairs but its participation would be confined to participation by and through the government.

But this country is dedicated to freedom. And so "participation" has a special meaning for Americans. It means, in world affairs, participation by all kinds of Americans in their various lawful callings. It means participation by free and independent educators and journalists, by free and independent scientists and ministers of the Gospel—and by free and independent businessmen. And so I urge each and every one of you to participate actively in overseas business. If you are not regularly engaged in it, find some way out to give part of your time to it. If you are a senior executive of a firm doing only a small part of its business abroad, plan to give an extra amount of attention to the smaller child.

I urge this upon you knowing full well how heavily engaged you are with problems at home. When your invitation came to me some weeks ago to speak about American Foreign Policy I, too, seemed to be wholly immersed, journalistically and otherwise, in the American scene. The big story was the meat shortage. There was also a power strike in Pittsburgh, a slump in Wall Street and a barbers' strike in and around the Time and Life Building. There was also some good news—a new theater season was opening, millions of young men and women were going to college with, we were told, more than ordinarily serious purpose and the autumn landscape of Eastern America was once again the most gorgeously colorful in the world. It was in the midst of the scene so familiar to all of us that I began to think about what I might say.

But then suddenly I went to the other side of the world—to China and to Japan. And the inevitable happened—my mind was filled with the urgencies of Asia. As the airplane sped homeward across the world's greatest ocean, flying from saffron sunset over Kwajalein into a crimson dawn over Pearl Harbor, I could think only that I must tell you how important it is for you and your children and all the children of men that American Foreign Policy should be more courageous and more vigorous throughout the length and breadth of the 70,000,000 square miles of the Pacific and among all the one thousand million people of Asia.

A Truly Wise Foreign Policy

What is the right vantage point for the visualization of a truly wise American Foreign Policy? Is it here in America, in our own familiar, fabulous cities and fruitful countryside? Or is it out there—over there—across the oceans?

The answer, of course, is plain—as many of you know from your own personal experience. Both vantage points are essential.

In this room tonight are men and women who have been in every part of the world. Never before in history have so many of the people of any nation deployed so rapidly over the face of the earth as have the people of America in the last few years. There is not a spot on earth, not a mountain or a city or an island that is not, to some American, as familiar as his own backyard—nowhere, that is, outside of Russia. Every one of you who has been abroad has seen some enormous opportunity for intelligent American action. You recall how proud you were when you saw an American bulldozer do its magnificently efficient job. And you remember how desperate you have felt when you saw some opportunity for useful American effort being utterly neglected or stupidly bungled. You have wanted to rush home and raise hell with somebody—or anybody—to tell America, for God's sake, to get going. You can imagine, for example, how I felt on the other side of the world about our shipping strike. It doesn't mean a great deal to us here but, over there, even the most sluggish American can feel that our hopes for a decent world are being thrown into the ash can by our American failure to deliver the goods which hour by hour could make the difference between reconstruction and chaos.

We are not only failing to send the goods. We are, in too many cases, failing to send our people—enough people and the right people.

In Japan, General MacArthur pictured to us the profound transformation of the Japanese nation and as we followed him to a high plateau of vision, we could sight the emergence of a nation which might be really the first to turn, forever, spears into ploughshares. And when we asked him, skeptically, how much chance there was that this would really happen, he said, with deep understanding: "It all depends on the mothers of American in the next five years." It all depends on whether the mothers of America will send their sons and husbands or go with them and really do the job. As usual, the General himself, in one of the most dangerous spots in a dangerous world, is doing his job with a marvelous, though dangerous, economy of means.

I happen to go this time to China and Japan. It would have been the same if I or if anyone of you had gone to Germany, or France, or Italy, or the Near East, or South America. Any one of us coming back would be filled with the sense of urgency about things which ought to be done, or mistakes which ought to be quickly avoided by America and the Americans, now at once. But one has only to be back home for a few days when he knows that it is very wrong to go to the other extreme, to ask of Americans what would only reasonably be asked of a nation composed exclusively of saints and crusaders. We are also human and we have our problems here. And so, putting together the outside America and the inside America points of view, the moral is once again plain: American Foreign Policy is inseparable from American domestic policy: a successful American Foreign Policy is impossible unless it is paralleled by successful solutions of our problems at home.

Furthermore, our success or failure in both fields will reflect our fundamental beliefs. The British may have the genius to be belt-tightening socialists at home and super-swank capitalists abroad. But not the Americans. If the Americans are New Dealers at home they will be New Dealers abroad. If they are free-enterprisers at home, they will be free-enterprisers overseas.

It is popular these days to speak of our bi-partisan policy. No one rejoices more than I do nor concurs more heartily in the support which is being given to those two able and patriotic Americans—Secretary Byrnes and Senator Vandenberg. They have set America's course in the right direction. But it is of little use for the pilots on the bridge to set a course if there is confusion in the galleys and the engine rooms. It was up to the American people to decide what principles they would invoke to bring what kind of order out of confusion. They have recently decided. They have elected the principles of liberty and the form of economy which is commonly labeled free enterprise.

Naturally many leaders of opinion throughout the world regard this American decision as highly unfortunate. Indeed in many parts of the world, it is quite incomprehensible. You may have read that in Persia the radio trumpeted the news that the United States had gone overwhelmingly Communist. Persian broadcasters, I suppose thought that any party anywhere in the world that could beat a New Deal party must be Communist.

And many of you have noticed how in England, which often seems quite remote as Persia from American thinking, there have been bitter and gloomy denunciations of the American people for having voted wrong—which is to say "right." I am happy to remind you that the attitude of the American press toward the socialist victory in England last year was marked by pledges of continued cooperation in a very different spirit of toleration and understanding.

Now of course both of our major parties are devoted to the fundamentals of liberty and in both of them majority opinion favors free enterprise. But no one will deny that in the context of recent American history, the position of the Democratic Party on free enterprise has been, to put it mildly, ambiguous. It was therefore an event of world-wide significance when the American people elected to preponderant power in the Republic the party which has as the distinguishing core of its policy, a belief in the rightness and efficacy of the American free enterprise system. Thus our country, by far the richest and most powerful in the world, is, for this critical period of world history, committed to the solution of economic problems, as well as others, in terms of freedom—which means faith in the capacity of free men to act with energy, with good sense, and good morals.

Russia and United States

Now I assume that there is hardly a person in this room tonight who does not now accept the thesis that the basic fact in the world today is the struggle between Russia and the United States. And that the issue between them is basic. For the issue is Freedom.

Freedom requires always to be translated into actual political and economic forms. When the cause of Freedom is linked, in the practical work-a-day business of life, with free enterprise, then the businessman is not merely an incidental character in the cause of Freedom but becomes, dramatically, a vital actor and factor in the contest.

The intimate relation of free enterprise to our foreign policy lies in the fact that the kind of government which believs in free enterprise is the kind of government which trusts the people not only to manage a large part of their own affairs but to get things done on their own initiative. That means you—and me and every American. For essentially what the American people voted was a vote of confidence in the great majority of their fellow-Americans. If the great majority of us each does his duty to himself, to his companions in labor, and to his country—we shall indeed put on such a demonstration of the power of freedom as will wholly change the climate of human affairs. For the businessman this means not only at home but also over there.

Now any call to interest yourself as a devoted volunteer in the cause of world-wide free enterprise is certainly not to be interpreted as an invitation to enter into any easy and delightful green pastures. On the contrary, if you find business at home difficult, you will find business abroad more difficult. In Shanghai a couple of weeks ago I got an earful of the troubles of the Americans who are trying to do business in that wonderfully hectic city and I told them they should at least be thankful they were not trying to do business in Akron or New York. I will now say to you men from Akron and New York that if you think you have business troubles at home, you don't know what trouble is until—as I hope you will—you try to do business in Shanghai. A businessman's lot isn't easy anywhere, but the businessman who goes abroad this year and next is in for aggravations and frustrations of a new and special kind. I shall mention two kinds, both political.

First, you must expect to be accused of all manner of wickedness even, and especially when you don't deserve it.

In many places, indeed in every place some one will tell you, nastily, that you are not wanted. Molotov has already told you that. He calls you dollar-imperialists and expects you to cower in moral turpitude. He says you aren't wanted and gives the signal to all his stooges to say it behind your back, to your wife, your children, your friends, your pastor. Well, I can tell you the answer to that one. Don't believe it: it is a lie.

American Businessmen Wanted Everywhere

Everywhere in the world the people want the American businessman. And most of the governments want him too—even when, for the sake of their own particular demagogueries, they have to make noises to the contrary.

The peoples of the world are easily confused, but basically they want the American businessman. They want what he can bring. And they like the way he brings it, which is the way of fair dealing and liberty. Nevertheless it will take all that you have, not only of ingenuity but of brotherly love to enable you to persist in helping to build with the peoples of many nations a system of freedom under law.

Then there is a second difficulty which must be understood more subtly. Many countries, especially in Europe, which are opposed to Communism have nevertheless rejected the idea of a return to free enterprise. Or, at any rate, they think they have. Now here we must distinguish between the uncompromisable issues of human liberty and the relativistic questions of economic system. Mr. Attlee and Mr. Bevin, and millions with them, believe that you can have socialism and freedom. I don't. But I could be wrong—on that one. I'll believe it when I see it. Meanwhile you and I believe that Mr. Attlee and Mr. Bevin and their followers sincerely believe in what we call the civil liberties and that they will never allow their socialism to take on the monstrous wickedness of a police state. Meanwhile, also, you and I believe that the Attlee-Bevin socialists stand with us against tyranny in whatever form. Therefore we shall and must stand with them in opposition to tyranny and in defense of freedom. And what we say of our attitude to British socialism—goes for all socialisms as long as they stand stoutly for the civil liberties of men.

So much for the fundamentals. Now, as to the matter of taste in economic arrangements, there is something else to be said. Whether or not Mr. Attlee would like to see America turn socialist, his urgent practical need is that American capitalism should be a huge success. A serious failure of our economy would be almost fatal to Britain. For several years, at least, the success of all European non-communist socialisms depends on American capitalism. That is a simple paradox which had better be quite clearly understood.

The people of the earth want the American businessman. But there are real and great difficulties in bringing them together. These difficulties, these frictions must be reduced. That is, first of all, a job for trained government personnel in the State Department, the Commerce Department, and all the agencies dealing with foreign countries. Two reforms in our government, which have already been begun, must be energetically carried through. First, the quality of our overseas personnel must be improved. A year and two years ago, when the junior officers of our Army and Navy began coming back from the ends of the earth, the point which I heard them make more often than any other was the pitiful inadequacy of American representation abroad. There are, of course, many good men in our overseas services. There must be thousands more. And I think there will be. For there must be at least 100,000 ex-Army and Navy officers and many more GIs who intend to see to it that America is properly represented abroad. Our foreign service personnel of all ranks must be paid well. Our State Department appropriation must be at least doubled—which would bring it up to about ⅔ of 1% of our budget—with, I hope, Senator Taft's approval.

American Idea Should Be Promoted

Secondly, the policy attitude of our overseas services must be radically changed from what it was in New Deal days. We are told that the State Department has rid itself of its infection of leftwingism. It is now important that the policy attitude of our overseas services should change from a merely passive acceptance of the American idea to positive active promotion of that idea everywhere in the world.

An example will illustrate what was wrong with us before the war, and what must and will be right with us from here on out.

A few years before the war a young, enterprising American, who had already had experience in foreign trade, turned up in China. When he had a deal practically set, he thought he could use a little the help from our embassy on getting through or around some red tape. He called on an embassy official, told him his story. And then this official stunned him by saying: "Young man, I will certainly not help you, and I want you to understand that you are never again to come to this office with any such request." When that young man got out on the street he resolved, there and then, to become some day an American Ambassador. And, yes, he did. The man is Bill Pawley, American Ambassador to Brazil.

Bill has been in Brazil only a few months, and in addition to having entertained 7,000 Brazilians in his embassy, Bill has gone far to paving the way for relieving Brazil's own postwar troubles through the active participation of American free enterprise businessmen.

Bill Pawleys don't grow on trees—but we've got to grow them. Or else—we might just as well resign from the leadership of the world and let Russia take over. Incidentally, I am happy to report that in the midst of the great difficulties in China today, our Con-

sul General in Shanghai, Monnett Davis, is earning the respect of all, both American and Chinese, by his persistent efforts to work things out.

Means of Building $500 Billion Economy

There is much that our government can and must do to make it possible for the American businessman to make contact with an outside world that needs and wants him and to start building the $500 billion world economy which we need and want too. But businessmen themselves must actually do most of the job. That is why it is so important that the policies the government lays down must be parallel with your own aims, and of a kind within which you cannot act.

I shall not now try to give an economist's prescription for world trade. The prescription set forth by Under Secretary Will Clayton is a good one, and it is to be hoped that every enlightened businessman will support his efforts to create the international trade charter now being prepared in London, and also the new reciprocal tariff cuts on which hearings are soon to begin. Every one will favor this program who places the interest of his nation as a whole above that of any particular industry.

But mere tariff cuts, especially reciprocal cuts, are not a very searching answer to the economic problems ahead of us, nor will they create a $500 billion economy by themselves. We need creative ideas. The real job is no longer merely the 19th Century Trader Horn job of trading beads for ivory tusks. The real job is to stimulate the creation of wealth abroad, and to build up foreign countries to the point where we can trade freely with them at far higher levels of economic activity. The job is not just to jump aboard an export-import boom; that's only part of it. The job is to participate in a world-wide capital expansion of a sort that will link our industries, our finances and our markets directly with every other country in the world.

The kind of participation I mean is new, but it already has its American models. I refer you to Westinghouse International. When President William Knox of Westinghouse International surveyed the coming export boom, he gave it about three to five years. So he decided to start selling something for which the demand would not slack off so soon and which would generate its own means of payment. The product he is exporting, moreover, is one already favorably known throughout the world, requiring, I am sorry to say, no very costly advertising campaign to introduce it. But it is a product which will generate more advertising and more business of all kinds between America and other nations than anything else Westinghouse makes. The product is know-how.

Westinghouse has already negotiated deals with Mexico and China to help build factories in those countries. As part of the deal, Westinghouse is bringing 300 Chinese and 200 Mexicans to East Pittsburgh to teach them how to run those factories; 150 are there already. It sounds as if Westinghouse were deliberately dealing itself out of the Chinese and Mexican markets for electric waffle-irons and 25-watt bulbs. Possibly, but Mr. Knox doubts it. And certainly he is not dealing himself out of his more important market for water-wheel generators, transmission equipment and other high-technology installations. Nor is it his plan just to start these factories running and never look at them again. Westinghouse is obviously at the start of a long and mutually profitable association with the Mexican and Chinese markets. Their name and their men have gone into those countries to stay.

And right there is one fundamental of true internationalism: "go to stay." The Committee for Economic Development has advised all foreign traders to adopt this policy. It will be all too easy to skim the cream from this sellers' market and come home. But if our foreign trade is to do the most good, both in keeping us prosperous and keeping other countries friendly to us, it must be continuous. Go to stay.

All of us can think of other projects for exporting American know-how. A world-wide chain of TVA-type dams, from the Yangtze to the Danube, has been projected, and I can see no reason why it is not America's interest and duty to favor these dams and help build them. Any project which gives American engineers and American businessmen opportunity to work with other people will work toward our $500,000,000,000-plus world economy. Direct investments, which have been the stabler and more profitable part of our capital exports in the past, are another example. Some businessmen appear to have been buffaloed by the old "dollar diplomacy" cry on this score, and have already missed some rather obvious opportunities as a result. I repeat there is no basis whatever for being afraid of the Molotov yowls. Direct investments increase the productivity of the nation where they are made, and it is only by increasing other people's productivity that we can balance our trade and permanently enrich the world. As Mr. Knox says, "you can't do business with a poorhouse." Yet in comparison with America, poorhouse is a very kind term for the economic condition of most of the world today.

A little while ago I mentioned two of the obstacles which American business faces as it sets forth on this new crusade. One of them is nationalism, which will make you feel unwelcome; the other is socialism, which will make you feel impatient, as though sophomores were running the world. The program I have outlined can undermine both these obstacles. Petty nationalism in undeveloped countries or in countries which have retrogressed, stems from the lack of the very industry and capital we offer to bring them. Socialism, which is the first cousin to nationalism, will seem increasingly sophomoric for the same and one other reason. The other reason is that if American businessmen go abroad as builders, as wealth-makers, as creators of productivity—in short, as good capitalists—they will be good salesmen for their system as well as for their country.

The British tell a story about a G.I. who told a friend he was going to leave God's country and return to Britain, where he had spent the war. "Why?" asked the friend, "It's chaotic here, but it's chaotic over there too." "I know," said the G.I., "but over there they got the chaos organized." I suspect that when our own chaos begins to take on the familiar lineaments of prosperity, and we begin calling it freedom once more organized chaos will lose some of its charms.

Our diplomats will tell you, and they are right, that America should not try to impose an economic system on any other country. But it is surely the best diplomacy to be honest about what we are, and not to pass ourselves off as socialists when we do business in a socialist country. The struggle for freedom will not be won by refusing to make converts to our cause as we go. It is true that economic systems are not final absolutes; but this applies to other systems as well as our own. Our system faces a great challenge, the greatest in its history. It is the only system, to my mind, that could impose such a task on itself as this $500,000,000,000 task and hope to succeed; and even capitalism may fail to do it. But the stakes of the effort are not merely the survival of capitalism; they are much greater, which is why I ask you to take this task so seriously. To raise the level of the world's prosperity is to give ourselves and the world another chance. It is to keep the door open to an expanding future in which the issues and choices will be all new and not even discernible to us here now. Our job here and now is to open that door.

We require policies for a period of tremendous changes. The great merit of the policies of freedom in general and of free enterprise in the economic sphere is that on the one hand they make no denial of the eternal and universal principles of life, and on the other hand, as Abraham Lincoln was so fond of pointing out, they leave the door open for every new idea and every new scheme which can meet the test of fair debate on basic principles. Thus when an American speaks of free enterprise he does not speak of any grimly fixed scheme. He speaks of something which is always changing, of something which leaves plenty of room for social adjustments, and of something which can link together, fruitfully, many differing cultures and modes of life.

A policy for this period of tremendous changes in the human situation must envision great feats of creativity. During this transitional period, a new Europe must arise. During this period, the whole of Asia must learn to read and write. During this period many new or hitherto remote centers of civilization will be woven more closely into the web of world-culture — Australia, South Africa, The Argentine, The Philippines to mention but a few. During this period atomic energy will be harnessed to the arts of peace. During this period cities will be redesigned, new architectures will emerge and there will be new flowerings of artistic expression. During this period the philosophy of knowledge itself will be rewritten; there will be a lively interpenetration of cultures and, finally, if we are to reach a happier future we must expect a fresh vision of the eternal purpose of human life.

Need Bread and Liberty

In the wondrous patterns of life, some strands persist. Some needs are perennial. One of these is bread and another is liberty. Both of these needs are both absolute and relative. There is an absolute need for bread and an absolute need for liberty. But the needs are also relative to the potentialities. Today, the simple loaf of bread or modest rice-bowl is not enough, for the news has gone out throughout the world that man can produce cornucopias of plenty. And today and tomorrow that liberty is not enough which is confined within the limits of old laws and customs, for the liberty possible today is a vast liberty of mind and movement. Inherent in the meaning of the word liberty is the idea of mobility—the ability to move; the free movement of men, of their products and of their thoughts. Wherefore, the rule of liberty is not the easiest to establish among men, but on the contrary, the most difficult. It is now America's chance to show that it can be done—better than ever before.

Bread and liberty, these two and as much of them as is lawfully possible, are essentials of any human destiny. It is for America largely to provide them now and to show how they are provided. By doing our job, we shall keep the doors open for the future and many of us will live to see the beginning of another joyous springtime of the spirit, a recreation of man's home on earth.

Business Outlook for 1947

(Continued from page 2605)

ties of an already confusing situation, the President on Oct. 14, announced the end of nearly all Federal wartime controls on business. He, thus, for all practical purposes, terminated the war economy. This means that prices will be competitively determined by supply and demand; that wages will be determined by real bargaining and strikes, and not by government partisanship and bureaucratic edicts.

This return of competition to its former importance as the most powerful factor in business affairs has a vitally important bearing on the field of credit. Many business men, after long years of government price-fixing in sellers' markets, are going to find it difficult to adjust their thinking, their pricing, their cost and expense controls, and their operations, in general, to this changed situation. Too many business men have gotten the idea in recent years that costs directly determine price. They erroneously think that prices have to stay up because costs have gone up. In a competitive economy that, of course, does not necessarily follow.

Demand determines your price and your supply. Normally, the price so determined allows a margin over all costs. This margin we call profit. But, at certain stages of the business cycle this margin, in the case of most enterprises, turns into a deficit, known as loss. And, gentlemen, to paraphrase the old song, demand "is the cause of it all!" The current emphasis on costs and disregard of long-term market implications in setting prices worries me. It is causing many business men, in my opinion, to price themselves out of the market. In too many lines, prices are outrunning long-term demand. True, the cream of the pent-up demand will pay the prices asked, but the long-term effect will be a reduction in volume. And that is a serious matter.

Effect of Return to Competition

The return of competition which we are witnessing will force many changes in business practices. Just to give you a slight idea of what this means from the standpoint of production alone, consider the productive facilities of the country. According to the National Industrial Conference Board, in 1939 we had $39,532,000,000 of productive facilities; we added, during the period July, 1940, to June, 1944, a further $23,505,000,000 of productive facilities; and, we have added several billions more since June, 1944. Thus, despite current indications and thinking to the contrary, we undoubtedly have, on any realistic basis, great overcapacity in nearly all lines of business activity. Excess productive capacity and wide-open competition will create serious problems and cause many headaches. But it will be immediately beneficial to consumers and, in the long run, to business itself.

The return of competitive practices and competitive prices, under these circumstances of unparalleled and enormous productive capacity, must be used as the basis of any forecast for 1947.

Quantitative and Qualitative Factors

Furthermore, in any estimate of the future, we must evaluate and project quantitative and qualitative factors. In view of the intangible character of many of the qualitative factors, may I urge you to draw your own conclusions from the facts and observations I present rather than merely accept my conclusions. Please form your own judgment in your own field as I necessarily must talk in general terms.

On the quantitative side, we have plenty of the means of payment. Beginning in 1933, we had a steady expansion of total deposits and currency outside banks until the total reached $177 billion in February of this year, since which time it has dropped to around $165 billion as a result of the Treasury's debt retirement program. More specifically, demand deposits and currency outside banks of some $107 billion certainly seem adequate to any conceivable purchasing demands. Clearly, there is no problem from the standpoint of banking and credit.

Inventories have reached the highest point in history and are being increased currently at the rate of $12 billion yearly. This rate of increase cannot continue. The pipelines of distribution are already filled in many lines. This signalizes the approaching end of the inventory boom. When the pipelines become filled and inventory replacement demand falls off, competition begins to operate at the producer level and prices soften or break until they find and stabilize at a level based on the new conditions. There is no escaping such a development under conditions of competition.

In July, a foreign observer in the "Eastern Economist," New Delhi, India, expressed the opinion that our productive capacity is so great that our only solution will be to continue as the world's Santa Claus. While I do not agree with this solution, his statement of our problem is so pointed that I quote his view as follows:

"The productive power of America has multiplied itself so fast that it is now admitted that she cannot continue to give 60,000,000 jobs unless she is able to have a large export trade. But, in the long run—not so long as even a decade—exports cannot continue unless imports are allowed to flow in. But U. S. economic organization is such that the possibilities of her being paid in imports are not very bright. But imports will or at least might create unemployment. In such circumstances it would not be such a foolish thing as some might imagine to give away goods to other countries, for on balance it would be better to part with surplus goods than to create unemployment."

Another quantitative factor is the cost of the labor warfare we have been having. By and large, the wage increases have not compensated labor for the time lost in securing the increases. Costs of goods have been forced up, but labor which has struck has not recouped its decreased payrolls for the time lost from the job. This creates a further imbalance in an already distorted wage-price relationship. If savings are not used to bridge the gap, sales must fall off. Strikes reduce accumulated savings, both individual and corporate. And, gentlemen, the outlook is for even more serious labor trouble than we have had in the past.

With John L. Lewis and his mine workers fighting the government, with the automobile, steel, oil, rubber and packing house workers demanding increases estimated as high as $2.80 a day, the outlook is dark indeed.

Another quantitative factor is the number of competitors in each field. Not only do we have previous producers expanding into totally different lines, but we now have countless new war-born producers. In retailing, in particular, we have doubled the outlets in some fields. For example, it is estimated that there is now one electrical appliance dealer for each 435 homes compared to an average of one dealer for every 1,000 wired homes before the war. From an-

(Continued on page 2654)

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Market still in status quo. Longer it stays dull the more extensive subsequent move will be. Continuation of stops advised.

If anything of market importance or significance happened in the past few days, it has escaped me. The fact that the market is almost at dead center indicates that nothing has happened, though it doesn't indicate that nothing will happen.

* * *

The only occurrence of note was the challenge John L. Lewis threw at the Government in the matter of the soft coal mines; a challenge which the Government accepted by getting an injunction. But while this may have eventual market significance, I doubt if its importance will be as great as some think. First of all the fact that Lewis would act up is nothing new. The only new thing about it is the injunction. But while a court order can force Lewis, or any other labor leader, to continue bargaining, it cannot force miners to produce coal. Should the strike, or the "unwillingness" to work without a contract last for any time, it can have severe repercussions on many industries. To that extent, the optimistic forecasts of 1947 earnings will have to be revised.

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That too, however, is not new. Anybody who believes all they read about future earnings, should devote their reading to the comic books. A statistician delivering a forecast on things to come bases his opinion on certain known factors. In can be safely assumed that if he knows these factors that there are lots of other people who know them too. So much for that. The disparity in statistical opinion arises when the interpretation of the factors is made. Many statisticians assume that because certain conditions were present in the past that the same conditions will be present in the future. Ergo! Earnings will be higher, or lower whichever is the case.

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The market being a little more sensitive refuses to commit itself until it knows what to expect. It takes the sum knowledge of every statistician, who translates such knowledge into actual buying or selling, weighs it against whatever other factors make people buy or sell, and then moves accordingly.

* * *

It is apparent that in the past few weeks the market hasn't seen fit to reflect anybody's beliefs or philosophies for more than a day or so. It has done little but hem and haw. Here and there a stock goes into independent action but seldom does this action have any effect on other stocks or the market.

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There is this to be said, however, of a market which spends time marking time. Such a market, when it breaks out of its channel usually moves rapidly and in a sustained fashion. The trick is to determine the direction of the breakout.

* * *

Sometimes the market technician can tell which way the market will go. But in practically every case this is sheer luck. I realize that in saying this I'm sticking my chin out, way out, for somebody to take a poke at. Having been in the market for almost 20 years, I think I know what I'm talking about.

* * *

Long ago I learned that if I had to be in the market, and the market behaved like there was something brewing, it would be a good idea to use stops. Actually I prefer mental rather than actual orders. I also know, however, that few people have the time or the patience to sit at a ticker tape all day, day in and day out, week in and week out. And even if they do, it still takes positive action to give an order to sell. Few pepole are mentally constituted to act rapidly, particularly when it comes to taking a loss. So I put in the stop. It's not the ideal method but until a beter one comes along I'l stick to it.

* * *

For example, you have a list of stocks. Should the market break out on the up-side you will be in a position to profit. If it breaks out on the down-side, your stops will prevent too heavy a loss. Right now you hold Dresser Industries at 17, stop at 15; Gulf, Mobile and Ohio at 12, stop 10, and International Paper at 43, stop 38. In the past week Boeing broke its stop.

Readers still long of Anaconda at 37 and Standard Oil of N. J. at 67 should sell them at the following levels. Anaconda at 33 and Jersey at 63. So far as where to get out on the up-side, my suggestion is to wait and see what develops.

More next Thursday.

—Walter Whyte

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Business Outlook for 1947

(Continued from page 2653)

other angle, veterans have been encouraged through easy government credit and guaranties to embark upon enterprises for which they do not have the training, experience, or ability. As these marginal competitors get into difficulty and start dumping their inventories, price weakness will pull down many others. Beyond doubt, the business mortality will be very heavy. In fact, probably the greatest backlog in the country today is the backlog of failures!

The Backlog of Demand

Probably this is as good a place as any to talk about the "huge" backlog of demand which we are supposed to have in many fields. It is my opinion that we will look back on this "backlog" as the great myth of the postwar period. To be sure, we need many things—but at a price! Demand does not exist in a vacuum; other factors enter into the situation. Some of these manufacturers may be kidding themselves about a three to nine-year backlog of pent-up demand for their products; but they are not kidding anybody else! If they do not produce enough to take care of their customers in the near future, then their competitors will. Make no mistake about that.

So, while admittedly, demand is high, production, in general, is higher. With two or three conspicuous exceptions, such as automobiles and construction, the current rate of production is at a higher level than the prewar rate—and it is still increasing in many lines. Now here is the thing to watch: when production gets caught up in one line, raw materials and manpower can be shifted to the short lines, accelerating production and shortening the catch-up period. That is why it is my opinion that with the exception of building construction, we will be caught up in practically all lines of durable goods production in the not distant future. In short, I do not foresee any consequential backlogs for industry's Christmas in 1947, unless durable goods prices come down.

It may be a good idea to take a quick look at two or three of our more important industries. Historically, this country in normal times has never enjoyed good business when the construction industry was not active. Yet, because of low productivity, material shortages and other difficulties, the 1947 outlook for construction is not good as the prices of private housing have gone out of the reach of those who need shelter.

From many different standpoints (not, of course, invested capital) the automobile industry hardly got through 1946. Its record compared to most other industries is indeed not a good one. To their 1946 troubles must be added the current wage demands of the United Automobile Workers, which cast a dark shadow over 1947. Also, I think that prices are too high in this field. When "all three" of the cheaper cars are delivering at a price around $1,500, as compared with $700 plus before the war, it would seem that prices are high. Certainly there are not as many customers for cars at $1,500 each as there are at $700.

The outlook for the railroads is not bright. For example, Vice-President Franklin of the Pennsylvania Railroad testified in September in support of a rate increase application that his line faced a deficit of $14,616,000—its first in 100 years of operation. President Metzman of the New York Central at the same time satisfied that his road would sustain a deficit of $69,000,000 in 1947 if freight rates were not raised—and that even if they were raised the 25% requested, they would lose $18,652,000! Even after making allowance for the pessimistic figures presented at such hearings, these figures are still on the bearish side.

Or, take the airlines—with terrific capital costs facing them, with $10,000-a-year pilots going on picket lines, with press releases saying that "by 1947 the passenger carrying capacity of the nation's airlines will equal that of railroads in 1941," with vacant seats becoming a problem, with terminal and many other facilities completely inadequate, and with passengers returning to the railroads, the outlook is not a happy one.

To add to the airlines troubles, the railroads are beginning to fight back, stressing the dependability of their own form of transportation. The caustic slogan quoted by "Life" Magazine, "If you have time to spare, go by air" reflects the experience of too many air travelers.

The president of the American Hotel Association on Nov. 15 stated that the hotel business has passed its postwar peak. Business has fallen off sharply in many hotels, particularly the smaller ones. It was also pointed out that whereas in prewar years, 66% room occupancy in hotels meant a profit, nowadays costs were so much higher that 92% occupancy is necessary if hotels are not to go into the red. These figures speak for themselves!

Without going any further, it seems clear that many lines, including textiles, foods, and most other soft goods, have passed or will soon pass their peak.

There are already sales decreases in many lines at other than retail levels, which means that from now on the problem of cancellations may develop into a serious one for credit men. This risk must not be underestimated just because there have been no cancellations for years. It is a real risk and there is nothing you can do about it when it materializes.

Qualitative Factors

There are many, many qualitative factors in the present business situation. One is the value created by shortages. So long as a commodity is in short supply, it seems everybody wants it. The moment it becomes freely available, people seem to lose interests. They discover that they can postpone their purchase or that they do not need as much as they thought they did. In any event, demand falls off the instant supply catches up. There may be no sense to this, but it is a folk-way that we must take into consideration.

Another qualitative factor, is that people buy on the basis of *expectations* and not on the basis of the present. If they think the outlook is good, they buy. If not, they wait.

Likewise, since the beginning of the war we have had a great deal of forehanded buying. As a result, consumers' inventories are much larger than is generally realized; in fact, undoubtedly much larger than normally. The return of buyers' markets will cause people to use what they have stored, which will reduce demand.

Another and most important qualitative factor, as witness what happened in meat, is the public conviction that prices are too high. Whether this is warranted or not is beside the point. The short-run result will be the same—demand falls off and prices drop.

On the basis of the factors I have mentioned and many others I do not have time to discuss, let me say that I believe we stand at the crossroads. If the present strikes, particularly in the basic industries, are "solved" with $2, and more, daily increase and productivity is not increased, we run the risk of a wage-price spiral in the inevitable boom-and-bust pattern. On the other hand, if we can hold the price line, if labor is willing to increase productivity, especially, in return for any further wage increases, we ought to be able to maintain a good volume of business activity for a long time to come, with slowly declining prices. Please note that with either development, I expect lower prices. The only question is when and how much?

Now, to be specific, it is my guess that business activity will continue at a high rate for a while and then begin to taper off thereafter. It is also my guess that prices will begin to drop sometime after Christmas in most lines, with the exception of the durable goods line, which will still be in short supply. And, even in these durable goods lines, the prices of nearly all should begin to drop by June.

And while higher costs will probably cause prices to eventually stabilize at a higher level, say 20 to 30% above the 1926 level, the price outlook in the near future is for a lower level unless labor upsets the applecart completely.

So, any way you look at it, the future, particularly 1947, calls for extreme caution on the part of credit men everywhere.

Securities Now in Registration

● **INDICATES ADDITIONS SINCE PREVIOUS ISSUE**

Acme Electric Corp., Cuba, N. Y.
June 26 filed 132,740 shares ($1 par) common stock. **Underwriters**—Herrick, Waddell & Co., Inc., and First Colony Corp. **Offering**—To be offered publicly at $5 a share. **Proceeds**—Company will receive proceeds from the sale of 68,880 shares and four selling stockholders the proceeds from the sale of 63,860 shares. Company also will receive proceeds from the sale of 20,000 warrants for common stock to underwriters at an aggregate price of $200. Of the net proceeds ($292,940) $50,000 will be used to pay current bank loans; about $20,000 will be used for machinery and equipment, and the remainder for working capital.

Acme-Hamilton Mfg. Corp., Trenton, N. J.
Aug. 29 filed 50,000 shares 5% cumulative preferred stock ($20 par) and 82,000 shares ($1 par) common stock. **Underwriters**—G. L. Ohrstrom & Co. and S. R. Livingstone & Co. **Offering**—Company is offering the 50,000 shares of preferred, while the 82,000 shares of common are being sold for the account of certain stockholders. **Prices**—$20 a share for the preferred, and $11.50 a share for the common. **Proceeds**—Company will apply proceeds to fully discharge secured demand notes, mortgage notes and partial discharge of debenture indebtedness. Offering temporarily postponed.

Aerovox Corp., Bedford, Mass.
Aug. 22 filed $1,500,000 of 5% sinking fund debentures, due 1961, and 50,000 shares ($1 par) common stock. **Underwriter**—Ames, Emerich & Co., Inc., and Dempsey & Co., Chicago. **Offering**—The debentures will be offered publicly. The common shares will be issuable upon the exercise of stock purchase warrants for purchase of common stock at $2 a share above the bid price of such common on the effective date of the registration. Company will sell warrants for 25,000 common shares to the underwriters at 10 cents a warrant. The remaining warrants will be sold to officers and employees of the company. **Price**—Debentures at 98. **Proceeds**—Company will use $1,025,000 of proceeds of debs. for payment of an indebtedness to Bankers Trust Co., New York. Balance, will be added to working capital. Offering postponed.

● **Affiliated Fund, Inc., New York**
Nov. 18 filed 2,878,834 shares of common. **Underwriter**—Lord, Abbett & Co., Inc., New York. Price based on market price. **Proceeds**—For investment. **Business**—Investment fund.

Air Lanes, Inc., Portland, Me.
Oct. 9 (letter of notification) 15,000 shares each of preferred and common. Offering price, $10 a preferred share and 1 cent a common share. If offerings are made in the State of Maine, they will be made by Frederick C. Adams & Co., Boston. To complete plant and equipment and to provide working capital.

American Broadcasting Co., Inc., N. Y.
June 27 filed 950,000 shares ($1 par) common stock. **Underwriter**—Dillon, Read & Co. Inc., New York. **Offering**—A maximum of 100,000 shares may be sold by company to persons, firms, or corporations with whom the corporation had network affiliation agreements on March 31. The remainder will be offered publicly. Price by amendment. **Proceeds**—To prepay notes payable to acquire radio station WXYZ, to construct broadcast transmitter for station KGO at San Francisco and for working capital.

American Building Corp., Dover, Del.
Nov. 5 (letter of notification) 20,000 shares each ($10 par) 5% cumulative preferred and no par common. Price, $10 a unit consisting of one share of preferred and one share of common. **Underwriter**—E. M. Fitch & Co., Philadelphia. **Proceeds**—For additional machinery, working capital and other corporate purposes.

American Cladmetals Co., of Pittsburgh
July 8 filed 196,500 units comprising 196,500 shares of voting common stock ($1 par) and 589,500 shares of non-voting common stock ($1 par), each unit consisting of 1 share of voting common and 3 shares of non-voting common. Underwriters—None—the company intends to distribute its common stock directly to the public. Offering—Price $6 per unit. Proceeds—Net proceeds estimated at $1,179,000 will be used to pay a mortgage on plant, pay accounts payable, purchase equipment, for building alterations and working capital.

American Colortype Co., Clifton, N. J.
Aug. 12 filed 30,000 shares ($100 par) cumulative preferred stock. **Underwriter**—White, Weld & Co. Price by amendment. **Proceeds**—Net proceeds initially will be added to general funds, however, the company anticipates it will use the funds for its building and expansion program. Offering date indefinite.

● **American General Corp., New York**
Nov. 13 filed an unspecified number of $2 cumulative preferred stock (maximum 120,045 shares) and common stock (par 10¢) (maximum 371,325 shares). The shares will be issued under terms of three alternative exchange offers to holders of Equity Corp.'s (which see) $3 convertible preferred stock of record Dec. 3. **Business**—Investment company.

American Limoges China Corp., New York
Sept. 25 filed 75,000 shares of common stock (par $1). **Underwriter**—Riter & Co. **Proceeds**—Stock being sold for account of Harry Bloomberg, President. **Price**—By amendment. Offering date indefinite.

American Locomotive Co., New York
July 18 filed 100,000 shares each of $100 par prior preferred stock and $100 par convertible second preferred stock. Underwriting—Union Securities Corp., New York. Price by amendment. Proceeds—Net proceeds, with other funds, will be used to redeem $20,000,000 of 7% cumulative preferred stock at $115 a share plus accrued dividends. Indefinitely postponed.

American Water Works Co., Inc., N. Y.
March 30 filed 2,343,105 shares of common (par $5) plus an additional number determinable only after the results of competitive bidding are known. **Underwriters**—To be filed by amendment. Probable bidders include Dillon, Read & Co. Inc., White Weld & Co., and Shields & Co. (jointly), and W. C. Langley & Co. and The First Boston Corp. (Jointly). **Offering**—Price to public by amendment.

American Zinc, Lead & Smelting Co., St. Louis
Sept. 6 filed 336,550 shares common stock (par $1). **Underwriting**—No underwriting. **Offering**—Stock will be offered for subscription to common stockholders in the ratio of one additional share for each two shares held. Unsubscribed shares will be offered for subscription to officers and directors of the company. **Price**—By amendment. **Proceeds**—Working capital. Offering indefinitely postponed.

Ansley Radio Corp., Trenton, N. J.
Aug. 29 filed 70,000 shares of Class A cumulative convertible preferred stock ($5 par) and 70,000 shares of common (40c par) and warrants for 50,000 shares of common stock to be sold to underwriter at 5c per share warrant and exercisable through Oct. 1, 1951 for purchase of common at $1 per share. **Underwriter** — Amos Treat & Co. **Offering**—To the public in units of one share of preferred and one share of common at $7 per unit. **Proceeds**—To retire bank loans of approximately $100,000, to purchase wood-working machinery and for working capital. Temporarily postponed.

Arkansas Western Gas Co.
June 5 filed 33,639 shares of common stock (par $5). Underwriters—Rauscher, Pierce & Co. Inc., and E. H. Rollins & Sons Inc. Offering—Stock will be offered to the public. Price by amendment. Shares are being sold by six stockholders.

Armour and Co., Chicago
July 12 filed 350,000 shares (no par) cumulative first preference stock, Series A; 300,000 shares of convertible second preference stock, Series A, and 1,355,240 shares common stock (par $5). Underwriter—Kuhn, Loeb & Co., New York. Offering—The 350,000 shares of first preference stock will be offered in exchange to holders of its 532,996 shares of $6 cumulative convertible prior preferred stock at the rate of 1.4 shares of first preference stock for each share of $6 prior preferred. Shares of first preference not issued in exchange will be sold to underwriters. The 300,000 shares of second preference stock will be offered publicly. The 1,355,240 shares of common will be offered for subscription to common stockholders of the company in the ratio of one-third of a new share for each common share held. Unsubscribed shares of common will be purchased by the underwriters. Price—Public offering prices by amendment. Proceeds—Net proceeds will be used to retire all unexchanged shares of $6 prior stock and to redeem its outstanding 7% preferred stock. Temporarily postponed.

Artcraft Hosiery Co., Philadelphia
Sept. 27 filed 53,648 shares ($25 par) 4½% cumulative convertible preferred and 150,000 shares ($1 par) common. It also covers shares of common reserved for issuance upon conversion of preferred. **Underwriter**—Newburger & Hano, Philadelphia. **Price**—$25.50 a preferred share and $12 a common share. **Proceeds**—Company will receive proceeds from the sale of all of the preferred and 100,00 shares of common. The remaining 50,000 shares of common are being sold by three stockholders. Estimated net proceeds of $2,300,000 will be used by the company to pay off bank notes of about $1,100,000 and to purchase additional machinery and equipment in the amount of $1,200,000. Offering date indefinite.

Atlantic Refining Co., Philadelphia
Oct. 29 filed 293,000 shares ($100 par) cumulative preference stock. **Underwriter**—Smith, Barney & Co., New York. **Offering**—Stock will be offered for subscription to common stockholders on the basis of one share of preference stock for each nine shares held. Unsubscribed shares will be sold to the underwriters who will reoffer it to the public. Price by amendment. **Proceeds**—A maximum of $15,540,000 of the net proceeds will be applied to redemption of the company's cumulative preferred stock, convertible 4% Series A, at $105 a share. The balance will be added to general funds for corporate purposes including repayment of obligations, acquisition of additional production, and expansion of refining, transportation and marketing facilities. Offering temporarily postponed.

Beaunit Mills, Inc., New York
Sept. 27 filed 180,000 shares ($2.50 par) common. Underwriter — White, Weld & Co., New York. Price — By amendment. Proceeds—Of the total, 140,000 shares are being sold by St. Regis Paper Co., New York, and the remaining 40,000 shares are being sold by I. Rogosin, President of Beaunit Mills, Inc.

Berbiglia, Inc., Kansas City, Mo.
Sept. 12 (letter of notification) 41,000 shares of 5% cumulative convertible $6 par preferred. Offering price, $6 a share. Underwriter—Estes, Snyder & Co., Topeka, Kans. To pay outstanding indebtedness and expenses and to open five additional stores in Kansas City, Mo. Offering postponed indefinitely.

Berg Plastics & Die Casting Co., Inc. (12/2-13)
Oct. 31 (letter of notification) 75,000 shares (10c par) common. **Price**—$4 a share. **Underwriter**—E. F. Gillespie & Co., Inc. **Proceeds**—For acquisition of machinery, tools and raw materials, and for working capital.

Bethlehem Steel Corp., New York (11/22)
Nov. 1 filed $50,000,000 of consolidated mortgage 30-year sinking fund 2¾% bonds, Series J, due 1976. **Underwriters**—Kuhn, Loeb & Co., and Smith, Barney & Co. Price by amendment. **Proceeds**—To provide additional funds for cost of additions and improvements to steel plants of subsidiaries.

Birmingham Electric Co., Birmingham, Ala.
Nov. 1 filed 64,000 shares ($100 par) 4.20% preferred. **Underwriting**—To be determined by competitive bidding. Probable bidders include The First Boston Corp.; Dillon, Read & Co., Inc.; Blyth & Co., Inc.; Lehman Brothers; Kidder, Peabody & Co. **Offering**—The company will offer the stock on a share for share exchange basis to holders of its $7 preferred stock and $6 preferred stock, plus a cash adjustment. Shares not required for the exchange will be sold at competitive bidding at a price not less than $100 per share net to the company. **Proceeds**—Proceeds, together with a $2,500,000 bank loan, will be used to redeem the old

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preferred stocks and to finance additions to its electric distribution and transportation system. **Business**—Public utility.

Blumenthal (Sidney) & Co. Inc., New York
Aug. 30 filed 119,706 shares (no par) common and subscription warrants relating to 30,000 shares thereof. **Underwriting** — None. **Proceeds**—For reimbursement of company's treasury for funds expended in redemption of 3,907 shares of 7% cumulative preferred on April 1, and for funds deposited in trust for redemption on Oct. 1 of remaining preferred shares. Although it was proposed to offer the stock for subscription to stockholders at $10 per share, company on Sept. 20 decided to withhold action at this time.

Book-of-the-month Club, Inc., New York
Oct. 28 filed 300,000 shares ($1.25 par) capital stock. **Underwriter**—Eastman, Dillon & Co., New York. **Offering**—Of the total, the company is selling 100,000 shares and six stockholders, including Harry Scherman, President, and Meredith Wood, Vice-President, are selling the remaining 200,000 shares. Price by amendment. **Proceeds**—Company will use its net proceeds for working capital to be used for expansion of inventories of paper and other raw materials and book inventories.

Boston Store of Chicago, Inc.
Sept. 10 filed 30,000 shares ($50 par) 5% cumulative preferred and 500,000 shares ($1 par) common. **Underwriters**—Paul H. Davis & Co. and Stroud & Co., Inc. **Offering**—Preferred will have non-detachable stock purchase warrants for purchase of 30,000 shares of common stock of the total common, 375,000 shares will be offered for sale for cash. 30,000 shares are reserved for issuance upon exercise of warrants attached to preferred and 95,000 shares are reserved for issuance upon exercise of outstanding warrants. **Price**—By amendment. **Proceeds**—Net proceeds, together with other funds, will be used to pay the company's 2% subordinated note in the principal amount of $5,268,750 and accrued interest. Offering date indefinite.

Bowman Gum, Inc., Philadelphia
Sept. 27 filed 268,875 shares ($1 par) common. **Underwriter**—Van Alstyne, Noel & Co., New York. **Price**—By amendment. **Proceeds**—Stock is being sold by shareholders who will receive proceeds.

Braunstein (Harry), Inc., Wilmington, Del.
Sept. 25 filed 12,500 shares ($25 par) 4½% cumulative convertible preferred stock and 50,000 shares (20¢ par) common stock. **Underwriter** — C. K. Pistell & Co., Inc., New York. **Price** — $25 a share for preferred and $11 a share for common. **Proceeds**—7,000 preferred shares are being sold by company, the remaining 5,500 preferred shares and all of the common are being sold by present stockholders. Net proceeds to the company, estimated at $147,500, will be used to prepay to the extent possible outstanding $149,300 mortgage liabilities. Offering date indefinite.

Briggs & Stratton Corp., Milwaukee
Aug. 9 filed 76,000 shares (no par) capital stock. **Underwriters**—A. G. Becker & Co., Inc., Chicago. Price by amendment. **Proceeds**—Shares are being sold by stockholders. Temporarily postponed.

Brooklyn (N. Y.) Union Gas Co.
May 3 filed 70,000 shares of cumulative preferred stock ($100 par). **Underwriters**—To be filed by amendment. **Bids Rejected**—Company July 23 rejected two bids received for the stock. Blyth & Co., Inc., and F. S. Moseley & Co. and associates submitted a bid of 100.06 for a 4.30% dividend. Harriman Ripley & Co. and Mellon Securities Corp. bid 100.779 for a 4.40% dividend. Indefinitely postponed.

Burgess-Norton Mfg. Co., Geneva, Ill.
Sept. 23 filed 10,000 shares ($50 par) 5% cumulative preferred and 120,000 shares ($2.50 par) common. **Underwriter**—H. M. Byllesby and Co. (Inc.), Chicago. **Offering**—Of the common, 110,000 shares are being sold by stockholders. The remaining 10,000 shares are reserved for issuance upon the exercise of warrants attached to the preferred. Price by amendment. **Proceeds**—To reimburse treasury for purchase of machinery and equipment at a cost of $98,386 and payment for new building being constructed at estimated cost of $223,700; balance for purchase of additional machine tool equipment. Offering indefinitely postponed.

California Oregon Power Co.
May 24 filed 312,000 shares of common stock (no par). Stock will be sold through competitive bidding. **Underwriters**—Names by amendment. Probable bidders include Blyth & Co., Inc.; The First Boston Corp.; Harriman Ripley & Co. **Offering**—Stock is being sold by Standard Gas and Electric Co., parent, of California. **Bids Rejected**—Standard Gas & Electric Co. rejected June 25 two bids for the purchase of the stock as unsatisfactory. Blyth & Co., Inc., and First Boston Corp. bid of $28.33 a share, and Harriman Ripley & Co. bid of $24.031 a share. Stock will again be put up for sale when market conditions improve.

California Water Service Co. (12/3)
Oct 28 filed 50,000 shares common stock (par $25). **Underwriters**—By amendment. Probable bidders include Blyth & Co., Inc.; The First Boston Corp.; Harris, Hall & Co. (Inc.). **Proceeds**—To repay bank loans used in part for 1946 construction work, to restore working capital used for additions and improvements and to defray part of cost of future additions, etc. **Bids Invited**—Bids for the purchase of the stock will be received up to 10 a.m. PST on Dec. 3 at office of American Trust Co., 450 California St., San Francisco.

Cameron Aero Engine Corp., New York
Oct. 2 (letter of notfication) 60,000 shares of common. **Offering**—Price $2 a share. **Underwriter**—R. A. Keppler & Co., Inc., New York. **Proceeds**—To demonstrate the Cameron Engine by flight tests in company-owned plane.

Camfield Mfg. Co., Grand Haven, Mich.
July 29 filed 220,000 shares ($1 par) common stock. **Underwriters**—Gearhart & Co., Inc. **Offering**—Of the shares registered, 100,000 are issued and outstanding and will be sold to the underwriters by three stockholders at $4.50 a share for their own account. The remaining 120,000 shares are being offered by the company. Price $4.50 a share. **Proceeds**—Company's share to pay renegotiation refund in amount of $180,000 to the U. S. Government, and for additional working capital. Offering date indefinite.

Canadian Admiral Corp. Ltd., Toronto
July 8 filed 150,000 shares ($1 par) common stock. **Underwriter**—Dempsey & Co. **Offering**—Stock initially will be offered to common stockholders of Admiral Corp. at $3 a share. **Proceeds**—$75,000 is earmarked for purchase of machinery and equipment, and tools, jigs, dies and fixtures; balance will be available for corporate purposes. Indefinitely delayed.

Carscor Porcupine Gold Mines, Ltd., of Toronto, Ontario
June 24 filed 400,000 shares of common stock. **Underwriter**—Registrant will supply name of an American underwriter by post-effective amendment. **Offering**—To the public at $1 a share in Canadian funds. **Proceeds**—For a variety of purposes in connection with exploration, sinking of shafts, diamond drilling and working capital.

● **Carson Pirie Scott & Co., Chicago**
Nov. 15 filed 50,000 shares ($100 par) cumulative preferred. **Underwriters**—William Blair & Co. and A. G. Becker & Co. Inc. of Chicago. **Price**—By amendment. **Proceeds**—Proceeds will be applied toward the redemption of 19,900 outstanding $6 preferred shares, redeemable at $105 a share plus dividends; balance for general corporate purposes. **Business**—Operation of Chicago department store.

Central & South West Utilities Co.
Aug. 30 filed its ($5 par) capital stock. Company's name is to be changed by post effective amendment to Central & South West Corp. (Del.) Prospectus will be issued in connection with the public invitation for sealed bids for the purchase of a sufficient number of such shares as same will be constituted upon consummation of a proposed merger into the issuer of American Public Service Co., to provide funds for retiring the preference shares of the issuer and American Public Service Co., not exchanged for shares of the merged corporation Underwriters by amendment. Possible bidders: Glore, Forgan & Co.; Lehman Brothers-Lazard Freres & Co. (jointly); Smith, Barney & Co.-Harriman, Ripley & Co (jointly); Blyth & Co., Inc., Stone & Webster Securities Corp. and First Boston Corp. (jointly). Price by amendment.

Central Soya Co., Inc., Fort Wayne, Ind.
Aug. 21 filed 90,000 shares (no par) common. **Underwriters** — Glore Forgan & Co., Chicago. **Offering** — Common shares initially will be offered for subscription to common stockholders at rate of one share for each 7½ shares held. Unsubscribed shares will be sold to underwriters. Price by amendment. **Proceeds**—Working capital, etc. Offering indefinitely postponed.

Chase Candy Co., St. Joseph, Mo.
Sept. 12 filed $2,500,000 of 4% sinking fund debentures, due 1961; 100,000 shares ($20 par) 5% convertible cumulative preferred, and 170,000 shares ($1 par) common. **Underwriters** — F. S. Yantis & Co., Inc. and H. M. Byllesby and Co. (Inc.), Chicago, and Herrick Waddell & Co., Inc., New York. **Offering**—Common will be offered for subscription at $10 a share to common stockholders at rate of one share for each two shares held of record on Oct. 19. Shares of common not subscribed for will be offered for sale to officers, directors and employees. **Price**—The debentures will be offered at $100 and the preferred at $20 a share. The common will be offered to stockholders at $10 a share. Pursuant to the common stock subscription rights, F. S. Yantis & Co. will purchase 100,000 shares of the 170,000 shares of common for investment. Any of the remaining 70,000 shares which are not subscribed for by stockholders and officers, directors and employees will be sold to the underwriters. **Proceeds**—Net proceeds, estimated at $5,856,125, will be used to pay the balance of the purchase price, amounting to $5,150,000, for acquisition of the candy manufacturing business operated by Clinton Industries, Inc., as its national candy division with plants in St. Louis, Mo., and Chicago. The balance will be used to redeem its 4% serial debentures and for additional working capital.

China Motor Corp., New York
Oct. 24 filed 7,500 shares ($100 par) Class A stock, entitled to 6% preferential dividends, cumulative from July 1, 1947, and to participating dividends. **Underwriter**—None. **Offering**—Company expects to sell the stock largely to members of Chinese communities in the United States and elsewhere. **Price**—$101 a share. **Proceeds**—Net proceeds, estimated at about $748,500, are expected to be applied as additional working capital, payment of indebtedness and to provide capital to aid in establishing a branch plant in Canton, China.

Claussen's (H. H.) Sons, Inc., Augusta, Ga.
Nov. 7 filed 7,500 shares ($100 par) 5% cumulative preferred and 35,000 shares ($1 par) participating convertible preferred. **Underwriter**—Johnson, Lane, Space & Co., Inc., Augusta. **Price**—By amendment. **Proceeds**—The securities are issued and outstanding and are being sold by the executors of the estate of George F. Claussen and by Euclid Claussen, President of the company, who are sole stockholders.

Climax Industries, Inc., Chicago
Aug. 28 filed 150,000 shares 5% convertible cumulative preferred ($10 par) and 250,000 shares ($1 par) outstanding common stock. **Underwriter**—Brailsford & Co. **Offering**— company is offering the preferred and General Finance Corp., issuer's sole stockholder, is offering the common for its own account. Price of preferred $10 per share; price of common $4 per share. Proceeds of preferred to pay company's indebtedness to General Finance Corp., purchase equipment and real estate and for working capital. Indefinitely postponed.

Coca-Cola Bottling Co. of St. Louis
Nov. 6 (letter of notification) a maximum of $100,000 ($1 par) common to be offered for subscription to employees at $32.50 a share. No underwriting. To be deposited in company's bank accounts.

Colonial Airlines, Inc., New York
Oct. 25 filed 150,000 shares ($1 par) capital stock. **Underwriter**—Auchincloss, Parker & Redpath, Washington, D. C. and Hornblower and Weeks, New York. Price by amendment. **Proceeds**—Net proceeds will be used to pay off a $550,000 loan to the Continental Bank & Trust Co. of New York; purchase equipment and development expenses of Bermuda route. The balance will be used to increase working capital.

Colonial Sand & Stone Co., Inc., N. Y.
August 15 filed 300,000 shares ($1 par) common stock. **Underwriters**—Emanuel, Deetjen & Co., New York. Price by amendment. **Proceeds**—Company will receive proceeds from the sale of 150,000 shares and Generoso Pope, President of company, who is selling the remaining 150,-

NEW ISSUE CALENDAR

(Showing probable date of offering)

November 22, 1946

Bethlehem Steel Corp. — Bonds

November 25, 1946

Fashion Frocks, Inc. — Common
Medesan Corp. — Common
Multi-Facet Diamond Corp. — Class A

November 27, 1946

General Motors Corp. — Preferred
Unexcelled Chemical Corp. — Capital Stock

December 1, 1946

Edgemont Stamp & Management Co. — Common
Public Finance Service, Inc. — Debentures

December 2, 1946

Berg Plastics & Die Casting Co. Inc. — Common
Harmon (William H.) Corp. — Capital Stock
Missouri-Kansas-Texas — Cond'l Sales Agreements

December 3, 1946

California Water Service Co., 10 a.m. (PST) — Common
Continental-na-var Corp. — Common
Philadelphia Electric Co. — Preferred
Southern Ry., 12 noon (EST) — Equip. Trust Ctfs.

December 10, 1946

Philadelphia Electric Co. — Bonds

December 12, 1946

Drayer-Hanson Inc. — Class A

December 15, 1946

Delaware Lackawanna & Western RR., 12 noon (EST) — Equip. Trust Ctfs.

000 shares will receive proceeds from these shares. The company will use its proceeds for payment of mortgage notes, open account indebtedness and for purchase of additional equipment. Any balance will be added to working capital. Indefinitely postponed.

Colorado Milling & Elevator Co., Denver, Colo.
Aug. 20 filed 70,000 shares ($50 par) cumulative convertible preferred stock. **Underwriter**—Union Securities Corp., New York. Price by amendment. **Proceeds**—Prior to the proposed issue of preferred stock, the company plans to call its $3 cumulative convertible preferred stock for redemption at $55 a share plus accrued dividends. Funds for the redemption will be supplied by a short term bank loan. Proceeds from the sale of preferred, together with other funds, will be used to repay the bank loan. Indefinitely postponed.

Columbia Aircraft Products Inc.
June 26 filed 150,000 shares ($4 par) 30c cumulative convertible preferred stock, convertible into common stock in the ratio initially of 1½ shares of common for each share of preferred. **Underwriter**—Floyd D. Cerf Co., Inc., Chicago. **Offering**—Company offered 59,585⅓ shares for subscription to present common stockholders of record Aug. 6 at $4.50 a share in the ratio of one share of preferred for each share of common held. Rights expired Aug. 20. Stockholders subscribed for 735 shares. The offering to common stockholders excluded the two principal stockholders who waived their rights to subscribe. The remaining 90,414⅔ shares and 58,850½ shares not subscribed to by common stockholders will be offered to the public through underwriters. **Price**—$5 a share. **Proceeds**—Approximately $50,000 for payment of Federal taxes; $250,000 for payment of Lincoln-RFC loan; $50,000 as a loan to Palmer Brothers Engines, Inc., a subsidiary; balance for purchase of machinery and equipment and working capital.

Columbia Axle Co., Cleveland, Ohio
Oct. 28 filed 89,580 shares ($5 par) common. **Underwriting**—None. **Offering**—Of the total 56,420 shares are to be issued to persons under a trust agreement in satisfaction of funds loaned by the trust to the company; 10,500 shares are to be issued to satisfy options, 2,300 shares will be sold to employees and it is expected that the remaining 20,360 shares will be sold to persons under the trust agreement. **Price**—$7.25 a share. **Proceeds**—For purchase of machinery and inventory.

Commonwealth Telephone Co., Madison, Wis.
Sept. 23 filed 16,071 shares ($100 par) $4 cumulative preferred. **Underwriters** — Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp. **Offering**—Shares will be offered for exchange for $5 cumulative preferred, on a share for share basis, plus cash adjustment. Shares not exchanged will be sold to underwriters. Price by amendment. **Proceeds**—To redeem at $110 a share, plus divs., all unexchanged old shares.

Continental Car-na-var Corp., Brazil, Ind. (12/3)
Nov. 4 (letter of notification) 132,500 shares ($1 par) common and 35,000 warrants for purchase of common one year after present public offering. **Price**—$2 a common share, one cent a warrant. **Underwriter**—L. D. Sherman & Co., New York. For working capital.

Continental Motors Corp., Muskegon, Mich.
July 8 filed 250,000 shares 4¼% cumulative convertible preferred stock, Series A ($50 par). **Underwriters**—Van Alstyne, Noel & Co. **Offering**—Price by amendment. **Proceeds**—For rearrangement and expansion of the company's manufacturing plants, acquisition of additional tools and facilities, and for additional working capital requirements. Offering indefinitely postponed.

Continental-United Industries Co., Inc.
Aug. 2 filed 150,000 shares ($1 par) common. **Underwriters**—Aronson, Hall & Co. Price $8.25 per share. **Proceeds**—To repay demand loans and for general funds. (Originally company filed for 80,000 preferred shares par $25 and 350,000 common shares.)

Cooper Tire & Rubber Co., Findlay, Ohio
July 17 filed 60,000 shares ($25 par) 4½% cumulative convertible preferred. **Underwriters**—Otis & Co. and Prescott & Co., Inc. **Offering**—To the public. **Price**—$25 a share. **Proceeds**—Estimated net proceeds of $1,356,200 will be used to redeem its outstanding 4% debentures, due 1967, to pay certain debts and for additional equipment, manufacturing space and working capital. Offering date indefinite.

Copco Steel & Engineering Co., Detroit
Aug. 19 filed 115,000 shares ($1 par) common. **Underwriter**—E. H. Rollins & Son, Inc., New York. Price by amendment. **Proceeds**—Of the shares being offered company is selling 100,000 shares and 15,000 shares are being sold by a stockholder. The company will use its proceeds to provide additional factory space and purchase machinery and equipment and to construct a new office building. The balance will be added to working capital. Offering date indefinite.

Crawford Clothes, Inc., L. I. City, N. Y.
Aug. 9 filed 300,000 shares ($5 par) common stock. **Underwriters**—First Boston Corp., New York. Price by amendment. **Proceeds**—Go to Joseph Levy, President, selling stockholders. Offering date indefinite.

Cyprus Mines, Ltd., Montreal, Canada
May 31 filed 500,000 shares of common stock (par $1). **Underwriters**—Sabiston-Hughes, Ltd., Toronto. **Offering**—Shares will be offered to the public at 75 cents a share. **Proceeds**—Net proceeds, estimated at $300,000, will be used for mining operations.

Danly Machine Specialties, Inc., Cicero, Ill.
July 26 filed 62,000 shares ($25 par) 5% cumulative convertible preferred stock and 71,950 shares (par $2) common stock 40,000 by company and 31,950 by certain stockholders. **Underwriters**—Paul H. Davis & Co., and Shillinglaw, Bolger & Co., Chicago. Price by amendment. **Proceeds**—Company will use proceeds, together with a $1,000,000 bank loan, to purchase machinery, buildings and to retire bank indebtedness. Offering date indefinite.

Dansaire Corp., Dansville, N. Y.
Nov. 6 (letter of notification) 13,700 shares of 7% preferred and 6,300 shares of common. Price, $10 a unit. To be sold through employees of the company. For working capital and other corporate purposes.

Delta Chenille Co., Inc., Jackson, Miss.
Oct. 2 filed 300,000 shares (20¢ par) common. **Underwriters**—Names by amendment. Price, $8 a share. **Proceeds**—Of total, company is selling 150,000 shares and remaining 150,000 shares are being sold by Apponaug Manufacturing Co., Inc. Principal stockholder estimated net proceeds to company of $1,007,913 will be added to general funds to be applied for corporate purpose. Company anticipates expenditures of $300,000 in 1946 and $300,000 in 1947 for equipping and absorbing costs of starting operations of four plants, two of which already have been contracted for. The balance will be added to working capital.

Detroit Typesetting Co., Detroit, Mich.
Sept. 25 filed 70,920 shares ($1 par) common. **Underwriter** — C. G. McDonald & Co., Detroit. **Price** — $5.50 a share. **Proceeds** — Stock is being sold by six shareholders who will receive proceeds.
Boston. For working capital.

Devonshire Chemicals Inc., Boston, Mass.
Nov. 7 (letter of notification) 10,000 shares ($1 par) class A and 20,000 shares (10c par) common. Price, $10 a unit consisting of one share of class A stock and 2 shares of common. General Stock & Bond Corp. Boston, selling agent. For working capital.

● **Disticraft, Inc., Chicago**
Nov. 12 (letter of notification) 50,000 shares ($1 par) class A common. **Price**—$2.50 a share. No underwriting. For working capital and expansion.

Dobbs Houses, Inc., Memphis, Tenn.
Sept. 27 filed 75,000 shares ($1 par) common. **Underwriter**—Emanuel, Deetjen & Co., New York. **Price**—By amendment. **Proceeds**—Net proceeds will be used for expansion of business consisting of airline catering and restaurant and coffee shop operations. Date of offering indefinite.

Drayer-Hanson, Inc., Los Angeles (12/12-13)
Aug. 12 filed 80,529 shares ($1 par) class A stock, convertible into common stock (par $1). **Underwriters**—Maxwell, Marshall & Co., Los Angeles. **Price**—To public $10.25 a share. **Proceeds**—Net proceeds, estimated at $694,761, will be used to pay off loans and accounts payable.

Duluth (Minn.) Airlines, Inc.
Oct. 15 (letter of notification) 12,000 shares ($5 par) Class A common and 8,000 shares ($5 par) Class B common. **Offering**—Price $5 a unit. No underwriting. For purchase of additional flight and servicing equipment, payment of deferred salary balances, for working capital and other expenses.

Durasite Corp., Clearwater, Fla.
Oct. 11 (letter of notification) 99,000 shares of common and purchase warrants covering 50,000 shares of common. **Offering**—Price $3 a common share and five cents a warrant. **Underwriter**—Amos Treat & Co., New York. For machinery, plant renovation and working capital. Offering date indefinite.

● **Eastern New York Power Corp., New York**
Nov. 15 filed $9,861,000 of first mortgage bonds, sinking fund series, due 1961, and $3,000,000 of second mortgage bonds, due 1962. **Underwriters**—To be determined by competitive bidding. Probable bidders include Halsey, Stuart & Co., Inc. **Proceeds**—Proceeds, supplemented by other funds, will be used to redeem the outstanding International Paper Co. 1st & ref. 5% sinking fund mortgage bonds, due 1947. These bonds were assumed by Hudson River Power Corp. which together with System Properties, Inc. will be merged into Eastern New York Power, subject to approval of the SEC. **Business**—Public utility.

● **Edgemont Stamp and Management Co., Pittsburgh, Pa.**
Nov. 20 (letter of notification) 650 shares of common stock ($5 par). No underwriter. **Proceeds**—Working capital.

Empire Millwork Corp., New York
Aug. 28 filed 50,000 shares of $1.25 cumulative convertible preferred stock, (par $25) and 150,000 shares of common stock (par $1). **Underwriters**—Van Alstyne, Noel & Co. **Proceeds**—Corporation will receive the proceeds from the issuance of 50,000 shares of the common stock which will be used to increase productive capacity, add new lines of products and expand the business. The remaining 100,000 shares of common stock and the preferred shares will be sold by present stockholders. Offering temporarily postponed.

Equitable Life & Casualty Insurance Co., Salt Lake City
Oct. 16 (letter of notification) 90,000 shares of common. To be offered to policyholders at the rate of 11 shares per $1,000 of insurance at $2 a share. No underwriting. To raise capital and surplus required by law to qualify an old line legal reserve capital stock life insurance company.

● **Equity Corp., New York**
Nov. 13 filed 1,650,330 shares of new (10¢ par) 20¢ dividend preferred and 247,550 shares (10¢ par) common. **Underwriter**—No underwriters. **Offering**—Shares of Equity's common and new preferred not issued under the exchange offer of American General Corp. (which see) will be offered for subscription to Equity's stockholders on the basis of $50 a unit consisting of 10 shares of new preferred and 1½ shares of common. **Proceeds**—Proceeds will be used toward redemption of unexchanged shares of old preferred. **Business**—Investment company.

Ero Manufacturing Co., Chicago
Sept. 5 filed 105,000 shares common stock (par $1). **Underwriter**—Straus & Blosser, Chicago. **Price**—$11.50 a share. **Proceeds** — Shares are being sold by stockholders. Offering date indefinite.

Falk Mercantile Co., Ltd., Boise, Ida.
Oct. 21 (letter of notification) 3,000 shares of 4½% preferred ($100 par). **Price**—$100 a share. **Underwriter**—Richard Meade Dunlevy Childs, Boise, Idaho. **Proceeds** to retire debentures and for expansion purposes.

Farquhar (A. B.) Co., York, Pa.
Sept. 26 filed 30,000 shares ($25 par) cumulative convertible preferred; 45,000 shares ($5 par) common; and an unspecified number of common shares to permit conversion of the preferred. **Underwriter**—Stroud & Co., Inc., Philadelphia. **Price**—By amendment. **Proceeds** — Proceeds will be used to redeem $355,350 4½% sinking fund mortgage bonds, due Aug. 1, 1957, to pay off certain contracts and chattel mortgages of $72,000 and $800,000 to reduce principal on outstanding bank loans.

Fashion Frocks, Inc. (11/25-29)
July 24 filed 120,000 shares ($1 par) common stock. **Underwriter**—Van Alstyne, Noel & Co. **Offering**—Offering does not constitute new financing but is a sale of currently outstanding shares owned by members of the Meyers family, owner of all outstanding stock. **Price**—$9 per share.

Fiduciary Management, Inc., Jersey City, N. J.
Sept. 27 filed 867,420 shares ($25 par) common. **Underwriter**—No underwriting. **Offering**—Stock will be offered for subscription to common stockholders on the basis of four additional shares for each one share held. **Price**—$3 a share. **Proceeds**—To increase capital so

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(Continued from page 2657)

company may expand operations in the field of development and reorganization financing.

Films Inc., New York

June 25, filed 100,000 shares ($5 par) class A stock and 300,000 shares (10 cent par) common stock, of which 200,000 shares reserved for conversion of class A. Each share of class A stock is initially convertible into 2 shares of common stock. **Underwriters**—Herrick, Waddell & Co., Inc., New York. **Offering**—To be offered publicly at $8.10 a unit consisting of one share of class A stock and one share of common stock. **Proceeds**—$201,000 for retirement of 2,010 shares ($100 par) preferred stock at $100 a share; remaining proceeds, together with other funds, will be used for production of educational films.

Florida Telephone Corp., Leesburg, Fla.

Nov. 1 (letter of notification) 27,000 shares of $10 par common. **Price** — $11 a share. **Underwriter** — Florida Securities Co., St. Petersburg, Fla. **Proceeds**—For expansion and modernization program.

Food Fair Stores, Inc., Philadelphia

Aug. 5 filed 60,000 shares ($15 par) cumulative preferred stock. **Underwriters**—Eastman, Dillon & Co. Price by amendment. **Proceeds**—To be used to redeem 15-year 3½% sinking fund debentures, due 1959; and $2.50 cumulative preferred at $53 a share. Balance will be added to working capital. Temporarily postponed.

Foreman Fabrics Corp., New York

July 29 filed 110,000 shares ($1 par) common stock, all outstanding. **Underwriters**—Cohu & Torrey. Price by amendment. Offering date indefinite.

Foster & Kleiser Co., San Francisco

July 29 filed 100,000 shares of $1.25 cumulative convertible preferred stock (par $25). **Underwriter**—Blyth & Co., Inc. **Offering**—Underwriters are making exchange offer to holders of Class A preferred on share for share basis plus a cash adjustment. **Proceeds**—Approximately $1,060,950 for redemption of class A preferred; balance for expansion, working capital, etc. Dividend rate and price by amendment. Offering temporarily postponed.

Fresh Dry Foods, Inc., Columbia, S. C.

Aug. 30 filed 450,000 shares (10¢ par) common. **Underwriter**—Newkirk & Banks, Inc. **Offering**—Of the total company is selling 350,000 shares and two stockholders, Roland E. Fulmer and Louis H. Newkirk, Jr., are selling the remaining 100,000 shares. **Price**—$6 a share. **Proceeds**—For purchase of sweet potatoes, plant expansion, additional storage facilities, research and development work and working capital. Offering date indefinite.

Frontier Power Co., Trinidad, Colo.

Oct. 25 filed 119,431 shares ($5 par) common. Underwriter by amendment. Price by amendment. **Proceeds**—Shares are being sold by three stockholders, including J. G. White & Co., Inc., New York, which is selling all of its holdings of such stock. Following the sale of its holdings J. G. White will no longer be parent of Frontier. Company will receive none of the proceeds.

• Garfinckel (Julius) & Co., Inc., Wash., D. C.

Nov. 15 filed 160,000 shares ($25 par) convertible preferred stock. **Underwriters**—Auchincloss, Parker & Redpath and Johnston, Lemon & Co. **Price**—By amendment. **Proceeds**—Proceeds will be used to pay off a $1,200,000 unsecured promissory note; to exercise an option to purchase additional preferred and common stock shares of Brooks Brothers, New York, increasing Garfinckel's ownership of such stock to more than 99%; to complete its present building and store improvement program and to increase working capital. **Business**—Operation of specialty department store.

General Engineering and Manufacturing Co., St. Louis, Mo.

Oct. 21 filed 50,000 shares ($10 par) 5% cumulative convertible preferred and 100,000 shares ($2 par) common. **Underwriters**—Dempsey, Tegeler & Co., and J. W. Brady & Co., St. Louis. **Price**—$10 a preferred share and $5 a common share. **Proceeds**—Net proceeds, estimated at $893,000, will be added to working capital and will be used to finance the company's new product, the "Gemco" space cooler (an air conditioning unit) and other corporate purposes.

General Motors Corp., Detroit, Mich. (11/27)

Nov. 8 filed 1,000,000 shares (no par) preferred stock. **Underwriter**—Morgan Stanley & Co., New York. **Price**—By amendment. **Proceeds**—Company expects to use the proceeds, together with other funds, to help finance its expansion and modernization program estimated to cost $590,000,000 of which $290,000,000 had been expended through Sept. 30. **Business** — Manufacture of various products, the principal field consisting of passenger cars, commercial vehicles, parts and accessories.

Glen Industries Inc., Milwaukee, Wis.

July 31 filed 50,000 shares of $1.25 cumulative convertible preferred stock series A ($20 par) and 150,000 shares (10c par) common, all issued and outstanding and being sold by eight selling stockholders. **Underwriters**—Van Alstyne Noel & Co. Price by amendment. **Proceeds**—To selling stockholders. Offering temporarily postponed.

Glencair Mining Co. Ltd., Toronto, Can.

Oct. 2 filed 300,000 shares ($1 par) stock. **Underwriter**—Mark Daniels & Co., Toronto. **Price**—40 cents a share (Canadian Funds). **Proceeds**—For mine development.

Glensder Textile Corp., New York

Aug. 28 filed 355,000 shares ($1 par) common, of which 55,000 shares are reserved for issuance upon the exercise of stock purchase warrants. **Underwriter** — Van Alstyne, Noel & Co. **Offering**—The 300,000 shares are issued and outstanding and being sold for the account of certain stockholders. Company has also issued 55,000 stock purchase warrants to the selling stockholders at 10 cents a share entitling them to purchase up to Aug. 1, 1949, common stock of the company at $11 a share. Price by amendment. Offering temporarily postponed.

Grand Canyon-Boulder Dam Tours, Inc., Boulder City, Nev.

Sept. 3 filed 500,000 shares ($5 par) capital stock. **Underwriting**—There will be no underwriting but Everett N. Crosby, President and James Manoil, Treasurer, will act as selling agents. **Price**—$5 a share. **Proceeds**—For refinancing of company and for working capital and funds for development and construction program.

Griggs, Cooper & Co., St. Paul, Minn.

Sept. 3 (letter of notification) 12,000 shares ($1 par) common. **Underwriters**—Kalman & Co., Inc., St. Paul. **Price**—$25 a share. **Proceeds** — For improvement and modernization program. Offering indefinitely postponed.

Grolier Society, Inc., New York

July 29 filed 18,500 shares at $4.25 cumulative preferred stock ($100 par), with non-detachable common stock purchase warrants entitling registered holders of shares of the $4.25 preferred to purchase at any time 64,750 shares of common stock at $16 a share at the ratio of 3½ common shares for each preferred share held; and 120,000 shares of $1 par common stock. **Underwriters**—H. M. Byllesby and Co., Inc. **Offering**—Underwriters to purchase from the company 18,500 shares of preferred and 20,000 shares of common; and from Fred P. Murphy and J. C. Graham, Jr., 100,000 shares of issued and outstanding common. Prices, preferred $100 a share; common $14 a share. **Proceeds**—To retire $6 cumulative preferred, pay notes, discharge a loan. Offering temporarily postponed.

Gulf Atlantic Transport'n Co., Jacksonville, Fla.

Jan. 17 filed 270,000 shares of common stock (par $1). **Underwriters**—Blair & Co. **Offering**—Stock is being offered to present shareholders at $3 per share. Holders of approximately 200,000 shares have agreed to waive their preemptive rights. Offering date indefinite.

Gulf Oil Corp., Pittsburgh, Pa.

Oct. 31 filed 399,860 shares ($25 par) capital stock. **Underwriter**—The First Boston Corp., New York. Price by amendment. **Proceeds**—Shares are issued and outstanding and are being sold by members of the Pittsburgh banking family of Mellon or trusts created by members of the family.

Halliday Stores Corp., New York

Oct. 23 filed 100,000 shares (50c par) common. **Underwriters**—E. F. Gillespie & Co., Inc., and Childs Jeffries & Thorndike, Inc., New York. Price, $4.50 a share. **Proceeds**—For purchase of all the outstanding stock of the Benton Stores, Inc. and its affiliates from William Bookman and Maurice Hoppin pursuant to terms of a contract entered into last August 15. Offering date indefinite.

Hammond Instrument Co., Chicago

Aug. 8 filed 80,000 shares ($1 par) common. **Underwriter**: Paul H. Davies & Co., Chicago. Price by amendment. **Proceeds**—Net proceeds will be used to redeem its outstanding 6% cumulative preferred stock at an estimated cost of $213,258, exclusive of accrued dividends. It also will use approximately $402,000 toward the purchase of a manufacturing plant in Chicago; balance for working capital. Offering date indefinite.

Harman (William H.) Corp., Phila. (12/2-6)

Nov. 13 filed 280,000 shares of capital stock. **Underwriter**—Smith, Barney & Co. Price by amendment. **Proceeds**—Will be applied to the purchase and installation of machinery and equipment and to the carrying of inventories and receivables. Additional working capital is expected to be made available under a credit agreement with the Chase National Bank.

Hartfield Stores, Inc., Los Angeles

June 27 filed 100,000 shares ($1 par) common stock. **Underwriters**—Van Alstyne, Noel & Co., New York, and Johnston, Lemon & Co., Washington, D. C. **Offering**—To be offered to the public at $8 a share. **Proceeds**—Company is selling 60,000 shares and stockholders are selling 40,000 shares. The company will use its proceeds to pay the costs of opening additional stores and to expand merchandise in its existing stores. Offering temporarily postponed.

Hayes Manufacturing Corp., Gr. Rapids, Mich.

Feb. 27 filed 185,000 shares of common stock ($2 par). Shares are being sold by certain stockholders. Stock acquired by selling stockholders in exchange for 432,000 shares of common stock (par $3) of American Engineering Co. **Underwriter**—By amendment. **Offering**—Price by amendment.

Herif Jones Co., Indianapolis, Ind.

Nov. 8 (letter of notification) 27,331 shares ($1 par) class A preference stock. Price, $10 a share. No underwriting. For additional working capital.

Hollywood Colorfilm Corp., Burbank, Calif.

Oct. 16 (letter of notification) 119,500 shares of ($1 par) capital. Price, $3 a share. No underwriting contract, however, 55,000 shares to be issued to or through H. R. O'Neil of Buckley Bros., Los Angeles, will be sold by one or more of the following firms: Buckley Bros.; Durand & Co., Tucson, Ariz.; J. Earle May & Co., Palo Alto, Calif.

Holt (Henry) & Co., Inc., New York

June 28, 1946 filed 20,000 shares of 4½% ($25 par) cumulative convertible preferred stock and 33,884 shares ($1 par) common stock. **Underwriters**—Otis & Co.,-Cleveland, Ohio. **Offering**—Company is selling the preferred shares and stockholders are selling the common shares. **Price**—$25 a share of preferred. Price for the common by amendment. **Proceeds**—Net proceeds will be added to general funds. Offering date indefinite.

Household Finance Corp., Chicago

Oct. 29 filed 60,000 shares (no par) common. **Underwriting**—None. **Offering**—Stock will be offered for subscription to certain employees and officers of the company and its subsidiaries. **Price**—$20.50 a share. **Proceeds**—Estimated proceeds of $1,210,000, after expenses, will be added to working capital.

Illinois Power Co., Decatur, Ill.

June 17, filed 200,000 shares ($50 par) cumulative preferred stock and 966,870 shares (no par) common stock. **Underwriters**—By competitive bidding. Probable bidders include Blyth & Co., Inc. and Mellon Securities Corp. (jointly) and Morgan Stanley & Co. and W. E. Hutton & Co. (jointly). **Proceeds**—Net proceeds from the sale of preferred will be used to reimburse the company's treasury for construction expenditures. Net proceeds from the sale of common will be applied for redemption of 5% cumulative convertible preferred stock not converted into common prior to the redemption date. The balance will be added to treasury funds. Company has asked the SEC to defer action on its financing program because of present market conditions.

Industrial Bancshares Corp., St. Louis, Mo.

Oct. 29 filed 100,000 shares of ($4 par) common. **Underwriting**—None. **Offering**—Shares will be offered for subscription to common stockholders in the ratio of one share for each five shares held. At the expiration of the subscription period, shares not sold may be purchased by other common stockholders or will be sold in such manner as the board of directors shall determine. **Price**—$20 a share. **Proceeds**—Of the proceeds, the company will advance to Industrial Credit Corp., its sub-holding company, the sum of $760,000 for payment of a loan and $703,930 for retirement of Industrial's first and second preferred stocks in order to prepare for the latter's ultimate dissolution. Remaining funds will be used as working capital.

International Dress Co., Inc., New York

Aug. 28 filed 140,000 shares of common stock (par $1). **Underwriter**—Otis & Co. **Offering**—Price $10 per share. **Proceeds**—Selling stockholders will receive proceeds. Offering date indefinite.

Kable Brothers Co., Mount Morris, Ill.

Nov. 6 (letter of notification) 20,907 shares ($10 par) common. To be offered to stockholders in ratio of one share for each five held. **Price**—$10 a share. No underwriting. For expansion purposes.

Kane County Title Co., Geneva, Ill.

Sept. 25 (letter of notification) 4,000 shares of common. **Offering**—To be offered to stockholders of record Oct. 4 for subscription at $30 a share at the rate of one share for each two shares held. Subscription rights terminate Nov. 3. Any unsubscribed shares will be purchased by Chicago Title & Trust Co., a stockholder. No underwriting. For expansion of building and plant facilities.

Kansas City Power & Light Co., Kansas City, Mo.

Nov. 1 filed $36,000,000 of first mortgage bonds, due 1976; and 100,000 shares ($100 par) cumulative preferred. **Underwriting**—To be determined by competitive bidding. Probable bidders include Halsey, Stuart & Co. Inc. (bonds only); The First Boston Corp. and Dillon, Read & Co. Inc. (jointly); Central Republic Co. (stock) and Smith, Barney & Co. (stock); Glore, Forgan & Co. and W. C. Langley & Co. (stock). **Offering**—To the public. **Price**—To be determined by competitive bidding. **Proceeds**—Proceeds will be used to redeem $38,000,000 of 3¾% bonds, due 1966 and 40,000 shares of first preferred stock, Series B. **Business**—Public utility.

• Kingsport Press, Inc., New York

Nov. 14 filed $1,200,000 of sinking fund debentures, due 1961, and 60,000 shares ($2.50 par) common. **Underwriter**—Alex. Brown & Sons, Baltimore, Md. **Price**—By amendment. **Proceeds**—Company will receive proceeds from the sale of the debentures, and common stockholders who are selling the common being registered will receive proceeds from these shares. The company will use $577,500 of its proceeds to redeem 5,500 shares of 5% prior cumulative preferred and $281,017 to prepay its note to The Equitable Life Assurance Society of the United States. **Business**—Book manufacturer.

Leader Enterprises, Inc., New York
Sept. 26 (letter of notification) 150,000 shares of (10¢ par) common and 57,000 shares ($5 par) 6% cumulative convertible preferred, Series A. **Price**—10 cents a common share and $5 a preferred share. **Underwriter**—Gearhart & Co., Inc., New York. **Proceeds**—To replace working capital used to promote new publication called Fashion Trades and to provide additional working capital. Offering date indefinite.

Macco Corp., Clearwater, Calif.
Sept. 25 filed 100,000 shares ($1 par) capital stock. **Underwriter** — Dean Witter & Co., Los Angeles. **Price**—By amendment. **Proceeds** — To pay off outstanding bank loans.

Mada Yellowknife Gold Mines, Ltd., Toronto
June 7 filed 250,000 shares of capital stock (par 40c). **Underwriters** — Names to be supplied by amendment. **Offering**—Stock will be offered publicly in the U. S. at 40c a share (Canadian money). **Proceeds**—Proceeds, estimated at $75,000, will be used in operation of the company.

Madison Petroleum Co., Basin, Wyo.
Oct. 21 (letter of notification) 150,000 shares common stock (par $1) on behalf of company and 25,000 shares each on behalf of A. R. Griffith, C. W. Mills, A. J. Chisholm, Jr. and C. M. Spicer, all officers and directors of the company. **Price**—$1 a share. **Underwriter**—C. W. Mills, Denver. For equipment and working capital.

Maine Public Service Co., Preque Isle, Me.
June 25 filed 150,000 shares ($10 par) capital stock. **Underwriters**—To be determined through competitive bidding. Probable bidders include The First Boston Corp.; Kidder, Peabody & Co., and Blyth & Co., Inc. (jointly); Harriman Ripley & Co; Coffin & Burr and Merrill Lynch, Pierce, Fenner & Beane. **Proceeds**—The shares are being sold by Consolidated Electric and Gas Co., parent of Maine Public Service, in compliance with geographic integration provisions of the Public Utility Holding Company Act.

Max Factor & Co., Hollywood, Calif.
Oct. 25 filed 600,000 shares ($1 par) common. **Underwriter**—Goldman, Sachs & Co., New York. **Offering**—Shares are being sold by stockholders. Of the total, 550,000 will be sold to the public and 50,000 will be sold to employees (latter shares not underwritten). Price by amendment.

May McEwen Kaiser Co., Burlington, N. C.
Aug. 22 filed 175,418 shares ($1 par) common stock. **Underwriters**—Goldman, Sachs & Co., and Hemphill, Noyes & Co. **Price**—By amendment. **Proceeds**—Net proceeds go to 11 shareholders who are selling the stock being registered. Offering temporarily postponed.

• **Medisan Corp., Philadelphia (11/25)**
Nov. 14 (letter of notification) 10,000 shares of common. Offered on behalf of 11 stockholders. **Price**—$4.50 a share. **Underwriter**—Frank C. Moore & Co., New York. Proceeds go to the selling stockholders.

Merchants Factors Corp., New York
Oct. 21 (letter of notification) 2,877½ shares 7% cumulative and participating preferred stock (par $100). **Underwriter**—None at present but company may employ some individuals to promote the sale of the stock. Price, $100 per share. Purpose, working capital.

Michigan Gas & Elec. Co., Ashland, Wis.
June 24 filed $3,500,000 of series A first mortgage bonds, due 1976; 14,000 shares ($100 par) cumulative preferred stock and 120,000 shares ($10 par) common stock. **Underwriters**—To be determined by competitive bidding. Probable bidders include Blyth & Co., Inc.; Kidder, Peabody & Co.; The First Boston Corp.; Harris, Hall & Co. (Inc.); Merrill Lynch, Pierce, Fenner & Beane, and Ira Haupt & Co. **Offering**—New preferred will be offered on a share for share exchange basis to holders of its outstanding 7% prior lien, $6 no-par prior lien, 6% preferred and $6 (no par) preferred. Of the common stock being registered, company is selling 40,000 shares, Middle West is selling 57,226 shares and Halsey, Stuart & Co. Inc., New York, is selling 22,774 shares. **Proceeds**—Michigan will use net proceeds from bonds to redeem $3,500,000 3¾% series A first mortgage bonds, due 1972, at 106.75 and interest. Net proceeds from sale of common and from shares of new preferred not issued in exchange will be used to redeem $375,000 3½% serial debentures, due 1951, at 101.2 and interest. It also will redeem at 105 and accrued dividends all unexchanged shares of prior lien and preferred stocks.

Midas Yellowknife Gold Mines Ltd., Toronto, Canada
Oct. 21 filed 1,250,000 shares ($1 par) common. **Underwriter**—R. J. Hale, East Aurora, N. Y. **Offering**—Of the total company is selling $1,000,000 shares and the remaining 250,000 shares are being sold for the account of the principal underwriter, brokers and dealers, which shares they will receive as additional compensation on the basis of 250 shares for every 1,000 shares sold for the company. **Price**—60 cents a share. The underwriters will receive a discount on the 1,000,000 shares of 15 cents each. **Proceeds**—For exploration and mine development work.

Middlekamp Building Corp., Pueblo, Colo.
Oct. 23 (letter of notification) $95,000 4% first closed mortgage sinking fund bonds, due 1960. **Price**—Not more than 98½ per unit. **Underwriter**—Boettcher and Co., Denver, and Hutchinson & Co., Pueblo, Colo. For retirement of debt and for working capital.

• **Mills Oil Co., Conrad, Mont.**
Nov. 13 (letter of notification) 100,000 shares of preferred. **Price**—$1 a share. **Underwriters**—David L. Mills, Jr., Seminole, Tex.; and W. M. Fulton, Shelby, Mont. For development of oil leases.

Mississippi Fire, Casualty & Surety Corp.
August 19 (letter of notification) 14,000 shares ($10 par) common stock, offering price $20 a share. **Underwriter**—Clany M. Seay, Jackson, Miss. will undertake to obtain signatures authorizing subscriptions for the stock to create capital and surplus for operation of business. Company is to be organized in Mississippi.

Mountain States Power Co.
June 6 filed 140,614 shares of common stock (no par). **Underwriters**—To be determined by competitive bidding. Probable bidders include Blyth & Co., Inc.; Kuhn, Loeb & Co. and Smith Barney & Co. (jointly); Harriman, Ripley & Co.; The First Boston Corp. **Offering**—Shares, are owned by Standard Gas & Electric Co. and constitute 56.39% of the company's outstanding common. **Sale Postponed**—Standard Gas & Electric Co. asked for bids for the purchase of the stock on Sept. 4, but the sale has been temporarily postponed.

• **Multi-Facet Diamond Corp., New York (11/25)**
Nov. 18 (letter of notification) 300 shares of class A stock. **Underwriter**—J. Arthur Warner & Co., Boston. Price, $500 per share. Proceeds for additional working capital.

Murphy (G. C.) Co., McKeesport, Pa.
June 13 filed 250,000 shares of common stock (par $1). **Underwriter**—Smith, Barney & Co. Price by amendment. **Proceeds**—Redemption of outstanding 4¾% preferred stock at $109 a share plus dividends. Indefinitely postponed.

Mutual Telephone Co., Honolulu, Hawaii
Oct. 28 filed 150,000 shares ($10 par) common stock. **Underwriting** — None. **Offering** — For subscription to common stockholders at $10 a share in the ratio of one share for each four shares held of record on Nov. 1. Unsubscribed shares will be sold at public auction to the highest bidder. **Price**—$10 a share. **Proceeds**—Proceeds, estimated at $1,485,610, will be used to repay short-term bank loans and to finance plant replacements and improvements. **Business** — Furnishing telephone service.

National Aluminate Corp., Chicago
Sept. 27 filed an unspecified number ($2.50 par) common shares. **Underwriters**—First Boston Corp., New York, and Lee Higginson Corp., Chicago. **Price**—By amendment. **Proceeds**—The stock is issued and outstanding and is being sold by shareholders. Names of the selling stockholders and the number of shares to be sold by each will be supplied by amendment.

National Tile & Mfg. Co., Anderson, Ind.
Oct. 7 (letter of notification) 50,000 shares ($1 par) stock. **Offering** to stockholders for subscription at the rate of 1 share for each 2½ shares held. **Price**—By amendment. No underwriting. For additional working capital.

• **Nevada Stewart Mining Co., Spokane, Wash.**
Nov. 13 (letter of notification) 110,000 shares of common. **Price**—14½c a share. No underwriting. To develop mining claims.

Newburgh Steel Co., Inc., Detroit
Aug. 2 filed 30,000 shares of 6% cumulative convertible preferred (par $10), and 30,000 common shares ($1 par). **Underwriters**—Names by amendment. **Offering**—Shares are issued and outstanding and are being sold by Maurice Cohen and Samuel Friedman, President and Secretary-Treasurer, respectively, each selling 15,000 shares of preferred and 15,000 shares of common. **Price**—$10 a share for the preferred and $6 a share for the common.

New England Gas and Electric Association
July 11 filed $22,500,000 20-year collateral trust sinking fund Series A bonds, and a maximum of 1,568,980 common shares ($5 par). **Underwriters**—By amendment. Bidders may include Halsey, Stuart & Co. Inc. (bonds only), Bear, Stearns & Co. (stock only), First Boston Corp., White, Weld & Co.-Kidder, Peabody & Co. (jointly). **Offering**—Bonds and common stock are being offered in connection with a compromise recapitalization plan approved by the SEC, on June 24, 1946, which among other things provides for the elimination of all outstanding debentures and preferred and common stocks, and for the issuance of $22,500,000 of bonds and 2,300,000 of new common shares. The SEC has extended to Nov. 30 time within which refinancing may be carried out. Bids for the purchase of the bonds and the common stock which were to be received by the company Aug. 13 were withdrawn Aug. 12. Sale postponed indefinitely.

• **New Haven (Conn.) Pulp & Board Co., New Haven**
Nov. 14 (letter of notification) 6,171 shares ($25 par) common. **Price**—$40 a share. No underwriting. To increase cash working balance.

New York State Electric & Gas Corp., Ithaca N. Y.
Oct 30 filed $13,000,000 first mortgage bonds, due 1976, and 150,000 shares of ($100 par) cumulative preferred. **Underwriters**—To be determined by competitive bidding. Probable bidders include Blyth & Co. and Smith, Barney & Co. (jointly); First Boston Corp. and Glore, Forgan & Co. (jointly) and Halsey, Stuart & Co. Inc. (bonds only). **Proceeds**—Estimated proceeds of $28,000,000, together with a $6,000,000 contribution from NY PA NJ Utilities Co., parent, will be used for redemption of $13,000,000 of 3¾% bonds, due 1964, and 120,000 shares ($100 par) 5-10% cumulative serial preferred and to finance new constructions.

Northern Engraving & Mfg. Co., La Crosse, Wis.
Aug. 29 filed 70,000 shares ($2 par) common stock. **Underwriter**—Cruttenden & Co. **Offering**—All shares are issued and outstanding and being sold for the account of present holders. **Price**—$16 a share. **Proceeds**—To selling stockholders. Indefinitely postponed.

Northern Indiana Public Service Co.
Aug. 28 filed maximum of 384,016 shares of common stock. Underwriters by amendment as shares will be offered under competitive bidding. Probable bidders include Blyth & Co., Inc.; The First Boston Corp.; Stone & Webster Securities Corp., and Harriman Ripley & Co., Inc. (jointly). Of the shares registered, 182,667 are being sold by Midland Realization Co.; 54,426 by Midland Utilities Co., and 146,923 by Middle West Corp.

Nugent's National Stores, Inc., New York
June 21 filed 85,000 shares ($1 par) common stock. **Underwriters**—Newburger & Hano, and Kobbe, Gearhart & Co., Inc. Price, $6.75 a share. **Proceeds**—Net proceeds to the company from 62,000 shares, estimated at $350,200, will be applied as follows: About $111,300 for retirement of outstanding preferred stock; $41,649 to purchase 100% of the stock of two affiliates, and balance $197,000 for other corporate purposes. The proceeds from the other 3,000 shares will go to selling stockholders. Offering temporarily postponed.

Ohio Associated Telephone Co.
Sept. 11 filed 35,000 shares (no par) $2 cumulative preferred. **Underwriters**—Paine, Webber, Jackson & Curtis and Stone & Webster Securities, New York. **Offering**—Of the shares registered, 21,000 are being sold by the company and the remaining 14,000 are being sold by General Telephone Corp. **Price**—By amendment. Offering indefinitely postponed.

Old Republic Credit Life Insurance Co., Chicago
Nov. 7 (letter of notification) 60,000 shares of capital stock. To be offered for subscription at $3 a share to stockholders. Unsubscribed shares will be sold to officers, directors and employees. Proceeds will be used as additional capital.

Old Town Ribbon & Carbon Co. Inc., Brooklyn
Sept. 19 filed 140,900 shares ($5 par) common. The shares are being sold by three stockholders. **Underwriter**—The First Boston Corp., New York. **Price**—By amendment.

Orange-Crush de Cuba, S. A., Havana, Cuba
July 22 filed 125,000 shares ($1 par) common and 40,000 warrants. **Underwriter**—Floyd D. Cerf Co., Inc., Chicago. **Offering**—Price $4.75 a share. **Proceeds**—Of the total company is selling 37,500 shares and stockholders are selling 87,500 shares. The company will use its proceeds for equipment and working capital.

Pacific Power & Light Co., Portland, Ore.
July 10 filed 100,000 shares ($100 par) preferred stock. **Underwriters**—By amendment. Probable bidders include Blyth & Co., Inc., White, Weld & Co. and Smith, Barney & Co. (jointly); The First Boston Corp., W. C. Langley & Co.; Harriman Ripley & Co. **Offering**—Company proposes to issue the 100,000 shares of new preferred for the purpose of refinancing at a lower dividend rate the 67,009 outstanding preferred shares of Pacific and the 47,806 preferred shares of Northern Electric Co., in connection with the proposed merger of Northwestern into Pacific. In connection with the merger, the outstanding preferred stocks of Pacific and Northwestern will be exchanged share for share, with cash adjustments, for the new preferred stock of Pacific, the surviving corporation. **Offering price**—To be supplied by amendment.

Pal Blade Co., Inc., New York
June 28, 1946 filed 227,500 shares ($1 par) capital stock. **Underwriters** — F. Eberstadt & Co., Inc. **Offering** — 225,000 shares are outstanding and are being sold by 10 stockholders, and 2,500 shares are being sold by A. L. Marlman to all salaried employees. Indefinitely postponed.

• **Palmetex Corp., Pinellas Park, Fla.**
Nov. 14 (letter of notification) 10,000 shares of common on behalf of Barnette E. Moses, a Vice-President of the company. **Price**—$1.50 a share. No underwriting. Proceeds go to the selling stockholder.

Palmetto Fibre Corp., Washington, D. C.
August 16 filed 4,000,000 shares (10¢ par) preference stock. **Underwriting**—Tellier & Co., New York. Price 50 cents a share. **Proceeds**—The company will use estimated net proceeds of $1,473,000 for purchase of a new factory near Punta Gorda, Florida, at a cost of about

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$951,928. It will set aside $150,000 for research and development purposes and the balance will be used as operating capital.

Pantasote Plastics Inc., Passaic, N. J.

Sept. 27 filed 60,000 shares ($25 par) 4½% cumulative preferred and 1,352,677 shares ($1 par) common. **Underwriter**—Underwriting arrangements will be supplied by amendment, but it is contemplated that Van Alstyne, Noel & Co., New York, may be one of the underwriters. **Offering**—Company is making an exchange offer to stockholders of Textileather Corp., Toledo, O.; The Pantasote Co., Passaic, N. J.; and Astra Realty Co., New York, for the purpose of acquiring the controlling interests of the companies. Pantasote Plastics will offer three shares of its common, plus ⅖ of a share of preferred, for each share of Textileather common. It will offer two shares of its common for one share of Pantasote common, and 12 shares of its common for each shares of Astra common. It is proposed that underwriters will offer publicly a maximum of 30,000 shares of preferred and 250,000 shares of common, of which 12,853 shares of preferred and 50,000 shares of common are to be purchased by the underwriters from the company and the balance (which are part of the shares to be received under the exchange offer) are to be purchased from selling stockholders. **Proceeds** — Proceeds to the company will be applied to make loans to Textileather and Pantasote for various corporate purposes.

Pedlow Machine Co., Chester, Pa.

Oct. 30 (letter of notification) 150,000 shares ($1 par) 10c Class A common. Company will exchange 14,500 shares for outstanding preferred and $135,000 shares will be sold. **Price**—$2 a share. No underwriting. For payment of debt and working capital.

Peninsular Oil Corp., Ltd., Montreal, Canada

Sept. 3 filed 600,000 shares of common (par $1). **Underwriter**—Sabiston Hughes, Ltd., Toronto, Canada. **Price**—60 cents a share. **Proceeds**—Net proceeds will be used to purchase drilling machinery and other equipment.

Pharis Tire & Rubber Co., Newark, O.

Sept. 27 filed 100,000 shares ($20 par) cumulative convertible preferred. **Underwriter**—Van Alstyne, Noel & Co. and G. L. Ohrstrom & Co., New York. **Price**—$20 a share. **Proceeds**—For payment of loans and to replace working capital expended in purchase of building from RFC and to complete construction of a building.

Philadelphia Electric Co., Philadelphia, Pa. (12/3-10)

Nov. 4 filed $30,000,000 of first and refunding mortgage bonds, due 1981, and 300,000 shares ($100 par) preferred stock. **Underwriters**—To be determined by competitive bidding. Probable bidders include The First Boston Corp.; Halsey, Stuart & Co. (bonds only); Morgan Stanley & Co.; W. C. Langley & Co., and Glore, Forgan & Co. (jointly), and White,Weld & Co. (bonds only). **Offering**—To the public. Price to be determined by competitive bidding. **Proceeds**—Proceeds of about $60,000,000 before deducting expenses will be used to pay off $18,000,000 of 1½% promissory notes and to finance part of the company's construction program which will require approximately $42,000,000. **Bids Invited**—Bids on the bonds will be opened Dec. 10 and bids on the preferred stock will be opened Dec. 3.

Phillips & Benjamin Co., Waterbury, Conn.

Sept. 23 (letter of notification) 14,164 shares of $5 par common. **Offering**—To be offered for subscription to present stockholders on the basis of one share for each share held. Price not disclosed although it is stated that company wishes to have available 6,000 shares to take care of options which it proposes to give to management for past services, the options to run over a period of two years and six months and provide that the stock may be purchased at $10 a share within 18 months and thereafter and before the expiration of the option, at $15 a share. No underwriting. For exploitation of its business.

Plastic Molded Arts, Inc., New York

Aug. 27 filed 60,000 shares of preferred stock ($10 par) and 75,000 shares of common (par 50c). **Underwriter**—Herrick, Waddell & Co., Inc. **Offering**—Company is offering the preferred stock to the public, while the common is being sold by certain stockholders. **Prices**—Preferred, $10 a share; common, $4 a share. **Proceeds**—Proceeds from sale of preferred will be used to purchase equipment, pay bank loans, and other corporate purposes.

Precision Parts Co. of Ann Arbor, Mich.

July 5 filed 75,000 shares 5% cumulative convertible preferred stock ($10 par). **Underwriter**—Van Alstyne, Noel & Co. and associates. Price by amendment. **Proceeds**—Of the net proceeds, $250,000 will be used to pay 3% notes held by National Bank of Detroit, $75,000 to reimburse treasury for sums spent in acquisition of the electrical division plant of the company, $30,000 for construction of space for executive offices in the economy baler plant, and the balance will be deposited with general funds. Offering temporarily postponed.

● **Public Finance Service, Inc., Phila. (12/1)**

Nov. 19 (letter of notification) $250,000 6% cumulative debentures, being balance of debentures authorized under agreement between company and National Bank of Germantown & Trust Co., Philadelphia, trustee, dated Dec. 1, 1942 of which only $1,200,000 were issued in a retirement program. Price, $100. No underwriter named.

Proceeds for additional operating capital because of expansion of normal business.

● **Quebec Gold Rocks Exploration Ltd., Montreal**

Nov. 13 filed 100,000 shares (50¢ par) capital stock. **Underwriter**—Robert B. Soden, Montreal, director of company. **Price**—50¢ a share. **Proceeds**—For exploration and development of mining property. **Business**—Developing mining properties.

Read (D. M.) Co., Bridgeport, Conn.

Sept. 27 filed 100,000 shares (25¢ par) common. **Underwriter**—Van Alstyne, Noel & Co., New York. **Price**—By amendment. **Proceeds**—Estimated net proceeds of $476,362 will be used to pay off a loan from the Marine Midland Trust Co., New York.

Reed-Prentice Corp., Worcester, Mass.

Oct. 11 filed 120,300 shares of common stock (par $2.50). **Underwriter**—Tucker, Anthony & Co., New York. **Price**—By amendment. **Proceeds**—The shares are being sold by stockholders who will receive proceeds. Offering date indefinite.

● **Reliance Electric & Engineering Co., Cleveland**

Nov. 14 (letter of notification) maximum of 17,500 shares ($5 par) common. To be sold to certain employees at price based on market price. No underwriting. To be added to working capital.

● **Realmont Red Lake Gold Mines, Ltd., Toronto, Canada**

Nov. 20 filed 800,000 shares of common stock ($1 par). **Offering Price**—$0.60 a share to public. Company has not entered into any underwriting contract. **Proceeds**—Development of mining properties and exploration work.

● **Reliance Varnish Co., Louisville, Ky.**

Nov. 20 filed 60,000 shares of common stock ($2.50 par). **Offering Price**—$10 a share. **Underwriter**—Bankers Bond Co., and Almstedt Bros., both of Louisville, and Cruttenden & Co., Chicago. Of the total of 60,000 shares, the company is selling 40,000 and seven stockholders are disposing of the remaining 20,000. **Proceeds**—Company will use its proceeds, together with $500,000 bank loan, to finance paints and varnish plant now under construction.

Republic Aviation Corp., Farmingdale, N. Y.

Oct. 9 filed 100,000 shares ($50 par) convertible preferred stock. **Underwriters**—Hayden, Stone & Co., and Kidder, Peabody & Co. **Price**—By amendment. **Proceeds**—Proceeds, together with bank loans, will be used to increase working capital. Such funds are deemed necessary in view of the additional facilities that company intends to acquire and its large backlog of peacetime business.

Republic Drill & Tool Co., Chicago

Nov. 4 (letter of notification) 60,000 shares ($5 par) prior preferred stock. **Price**—$5 a share. No underwriting. A portion of the stock will be issued as part payment to employees under the company's profit sharing plan and to suppliers in part payment of their invoices. For new machinery and equipment and for working capital.

Republic Pictures Corp., New York

Registration originally filed July 31 covered 184,821 shares of $1 cumulative convertible preferred ($10 par) and 277,231 shares (50c par) common stock, with Sterling, Grace & Co. as underwriters. Company has decided to issue 454,465 shares of common stock only, which will be offered for subscription to stockholders of record Sept. 5 to the extent of one share for each five held. Issue will not be underwritten.

● **Rex Mining Co., Carson City, Nev.**

Nov. 14 (letter of notification) 295,000 shares ($1 par) common and 59,000 warrants. **Prices**—$1 a common share and 5¢ a warrant. No underwriting. For exploration and development work.

Reynolds Pen Co., Chicago

May 4 filed 400,000 shares of common stock (no par), of which 100,000 shares are being sold by company and 300,000 by stockholders. **Underwriters**—Names by amendment. **Offering**—Terms by amendment. **Proceeds**—Net proceeds to the company will be added to working capital.

Rowe Corp., New York

July 29 filed 100,000 shares common stock. **Underwriters**—Hayden, Stone & Co. **Offering**—The selling stockholders, who include Robert Z. Greene, President, are offering the shares to the public through the underwriters, for their own account. Price, by amendment. Offering date indefinite

● **Rosslyn Loan Co., Inc., Arlington, Va.**

Nov. 12 (letter of notification) 20,000 shares ($10 par) 6% preferred and 10,000 shares ($1 par) common. **Prices**—$10 a preferred share and $5 a common share. No underwriting. To conduct business of company.

St. Regis Paper Co., New York

Sept. 27 filed 150,000 shares ($100 par) first preferred. **Underwriter**—To be supplied by amendment. Probable underwriter, White, Weld & Co. **Offering**—Terms of offering and price by amendment. **Proceeds**—Net proceeds will be used to redeem company's 5% cumulative prior preferred stocks and an unspecified amount will be advanced to Taggart Corp., a subsidiary, for redemption of its $2.50 cumulative preferred. Both securities are redeemable at $52.50 a share plus accrued dividends. In addition, the company will apply $2,675,000 of the proceeds as advances to Alabama Pulp and Paper Co., of whose common stock the company owns 25,000 shares. The balance of proceeds will be used to restore working capital.

Scripto, Inc., Atlanta, Ga.

Aug. 7 filed 25,000 shares ($10 par) 5% cumul. convertible preferred stock and 244,000 shares ($1 par) common stock. **Underwriters**—Clement A. Evans & Co., Inc., Atlanta. Price of preferred $10.75 per share; price of common, $5.625 per share. **Proceeds**—Company is selling the 25,000 shares of preferred to the underwriters at $10 a share and stockholders are selling 244,000 shares to the underwriters at $5 a share. The registration stated that 24,000 of the 244,000 shares of common are being reserved for a period of four days following the effective date of the registration for sale to employees, officers and directors at $5 a share. The company also is selling 200,000 stock purchase warrants to executives of the company at 50 cents a warrant. Company will use its proceeds for general corporate purposes. Offering postponed indefinitely.

Seaboard Finance Co., Washington, D. C.

Nov. 14 by amendment filed 50,000 shares of $1.50 cumulative series A preferred (no par), to be sold to certain individuals, insurance companies and employees and 200,000 shares of common stock (par $1), of which 100,000 shares will be offered to employees, subsidiaries and affiliated companies and 100,000 shares are being sold by Industrial Acceptance Corp., Ltd., acquired by it in exchange for stock of Campbell Finance Corp., Ltd. **Underwriters**—Van Alstyne, Noel & Co.; Johnston, Lemon & Co., and Crowell, Weeden & Co. for common. Preferred not underwritten. Price by amendment.

● **Selected Brands, Inc., Cleveland, Ohio**

Nov. 14 (letter of notification) 1,000 shares ($100 par) preferred and $5,000 (no par) common. **Prices**—$100 and $20 a share, respectively. No underwriting. To increase capital.

7-Up Texas Corp., Houston, Texas

Oct. 28 filed 71,141 shares (45c par) Class A common and 35,441 shares (45c par) Class B common. **Underwriting**—The underwriters who are also the selling stockholders are Dempsey-Tegeler Co., St. Louis, Mo.; Dittmar & Co., San Antonio, Tex.; Stifel, Nicolaus & Co., Inc., St. Louis, Mo.; and Rauscher, Pierce & Co., Inc., Dallas, Tex. Price by amendment.

Shatterproof Glass Corp., Detroit, Mich.

Oct. 28 filed 280,000 shares ($1 par) common. **Underwriting**—None. To be sold through brokers on over-the-counter market. **Offering**—The shares are issued and outstanding and are being sold by William B. Chase, President, and members of his family or trusts created by Chase or his wife. **Price**—At market.

Solar Manufacturing Corp.

June 14 filed 80,000 shares of $1.12½ cumulative convertible preferred stock, series A (par $20). **Underwriters**—Van Alstyne, Noel & Co. Price by amendment. **Proceeds**—Net proceeds will be applied for the redemption of outstanding series A convertible preferred stock which are not converted into common stock. Such proceeds also will be used for additional manufacturing facilities in the amount of $600,000; for additional inventory amounting to $400,000, and for additional working capital. Offering temporarily postponed.

Soss Manufacturing Co., Detroit, Mich.

Sept 3 filed 40,000 shares ($25 par) 5% cumulative convertible preferred. **Underwriter**—Ames, Emerich & Co., Inc., Chicago. **Offering**—To be offered to common stockholders for subscription at $25 a share in the ratio of one preferred share for each five shares of common held unsubscribed shares will be sold to underwriters at same price. **Price** — Public offering price of unsubscribed shares by amendment. **Proceeds**—For expansion of plant facilities and for additional working capital. Offering postponed.

Steep Rock Iron Mines Ltd., Ontario

March 27 filed 500,000 shares of capital stock (par $1). **Underwriters**—Otis & Co. **Offering**—Price to public by amendment. **Proceeds**—Net proceeds will be added to the general funds and will be available for general corporate purposes. Offering date indefinite.

Stereo Pictures Corp., New York

Oct. 14 (leter of notification) 2,985 units of stock, each unit consisting of one share of $6 cumulative (no par) non-voting, non-convertible, preferred stock and one share of common stock (par 50c). **Underwriter**—Ayres Barley & Associates, Inc., (165 Broadway, Suite 1717) New York. **Price** — $100 per unit. **Proceeds**—for working capital, machinery, equipment, etc.

Stix, Baer & Fuller Co., St. Louis

Aug. 28 filed 102,759 shares common stock (par $5). **Underwriter**—Goldman, Sachs & Co. **Offering**—Eight selling stockholders are disposing of 62,000 shares, and the company will offer 40,759 shares initially to its preferred and common stockholders. Price by amendment. **Proceeds**—Net proceeds from the sale of the company's shares will be added to its "building construction and improvement fund." Offering date indefinite.

Stone Container Corp., Chicago

Oct. 24 filed 300,000 shares of ($1 par) common. **Underwriter** — Hornblower & Weeks, Chicago. **Offering** — Of the total, company is selling 200,000 shares and stock-

holders are selling the remaining 100,000 shares. Price by amendment. **Proceeds**—Of net proceeds, company will use $1,225,000, plus a premium of $12,250, together with accrued interest, for payment of a bank loan, and $493,-500, together with accrued interest, for discharge of its 10-year 6% debentures. Any balance will be added to working capital.

Street & Smith Publications, Inc.
July 17 filed 197,500 shares of common stock. **Underwriters**—Glore, Forgan & Co. **Offering**—The offering represents a part of the holdings of the present stockholders. Indefinitely postponed.

Swern & Co., Trenton, N. J.
Aug. 28 filed 195,000 shares common stock (par $1). **Underwriter**—C. K. Pistell & Co., Inc. **Offering**—Company is selling 45,000 shares, and eight selling stockholders are disposing of the remaining 150,000 shares. **Price**—$10.50 a share. **Proceeds**—From 45,000 shares sold by company will be applied to working capital initially. Offering date indefinite.

Taylor-Graves, Inc., Saybrook, Conn.
July 12 (letter of notification) 44,300 shares of ($5 par) cumulative convertible preferred stock and 44,300 shares common stock (par 50c). **Offering**—Price $6 a share for preferred and 75 cents a share for common. **Underwriter**—Amos Treat & Co. **Proceeds**—For payment of notes, mortgages and for general corporate purposes. Offering temporarily postponed.

Tele-Tone Radio Corp., New York
Aug. 1 filed 210,000 shares of common stock (par 50 cents). **Underwriters**—Hirsch & Co. **Offering**—Company is offering 75,000 of the shares registered. Eleven stockholders are selling 135,000 issued and outstanding shares, for their own account. **Offering**—Price $6.75 a share. **Options**—Selling stockholders are also selling to the underwriters at 7 cents per option warrant options to purchase 18,000 shares of the issued and outstanding common owned by them. They are also selling to Hallgarten & Co., for $1,500, plus $360 as a contribution toward the expenses of issuance, options to purchase an additional 18,000 shares of the issued and outstanding common. **Proceeds**—Net proceeds for the sale of company's 75,000 shares will be used for increasing working capital, with a view to entering the Frequency Modulation and Television fields at an advantageous time. Offering date postponed.

Texas Vitrified Pipe Co., Mineral Wells, Texas
Nov. 7 (letter of notification) 3,000 shares (no par) common. Price, $100 a share. No underwriting. For construction and equipping a plant.

Textron Inc., Providence, R. I.
Nov. 8 (letter of notification) 12,000 shares of 5% convertible preferred, to be offered in exchange for shares of class A common of Textron Southern Inc. for the purpose of increasing the issuer's equity in Textron Southern. There will be no public offering of the shares.

Toledo (O.) Edison Co.
Oct. 25 filed $32,000,000 first mortgage bonds, due 1976, and 160,000 shares of ($100 par) cumulative preferred. **Underwriters**—To be determined by competitive bidding. Probable bidders include The First Boston Corp.; Halsey, Stuart & Co. Inc. (bonds only); Blyth & Co., Inc.; and Smith, Barney & Co. Price to be determined by competitive bidding. **Proceeds**—Net proceeds together with $4,-500,000 bank loan and if necessary, the $5,000,000 to be contributed by its parent, Cities Service Co., will be used to redeem outstanding debt and preferred stock, involving a payment of $53,906,590, exclusive of interest and dividends.

Toro Manufacturing Corp. of Minnesota, Minn.
Nov. 8 (letter of notification) 23,375 common shares Price, $12.50 a share. No underwriting. For general working funds.

● **Unexcelled Chemical Corp., New York (11/27)**
Nov. 15 (letter of notification) 37,214 shares ($5 par) capital stock. **Price**—$8 a share. No underwriting. For reduction of bank loan.

● **Union Telephone Co., Blair, Neb.**
Nov. 20 (letter of notification) $56,000 of closed first mortgage 20-year 3¼% bonds due 1966, at 103.75 per unit. **Underwriter**—Wachob Bender Corp. **Proceeds**—For retirement of outstanding 3¾% bonds.

United Benefit Fire Insurance Co., Omaha, Neb.
Oct. 7 filed 50,000 shares ($10 par) common. **Underwriting** — None. **Price** — $30 a share. **Proceeds** — The company stated that $500,000 of the $1,495,000 proceeds will constitute the capital of the company, and after deducting $5,000 estimated expenses, it will classify $995,000 as surplus.

United States Aluminum Corp.
Nov. 1 (letter of notification) 3,000 shares ($100 par) 6% cumulative preferred. **Price**—$100 a share. No underwriting. For working capital and payment of organization disbursements.

U. S. Television Manufacturing Corp., New York
Nov. 4 filed 300,000 shares (no par) convertible preferred. **Underwriters**—Names by amendment. Price by amendment. **Proceeds**—For working capital and expansion of business.

Upper Michigan Power & Light Co., Escanaba, Mich.
July 18 (letter of notification) 5,500 shares of 4¼% first preferred stock series B ($50 par). Offering price, $50 a share. **Underwriter**—First of Michigan Corp., Detroit. **Proceeds**—For enlargements and improvements of power plant facilities. Offering date indefinite.

Valsetz Lumber Co., Portland, Ore.
Oct. 4 filed 14,000 shares ($100 par 2% cumulative Class A preferred and 2,000 shares ($100 par) 2% cumulative Class B preferred. **Underwriters** — None. **Offering** — Stocks will be offered for sale to customers and former customers of the Herbert A. Templeton Lumber Co. with whom the registrant has an exclusive sales contract whereby all the lumber produced by the registrant will be sold to Templeton. **Price**—$100 a share for each class of stock.

Velvet Freeze, Inc.
July 24 filed 203,500 shares of stock which are to be sold for the account of certain stockholders. **Underwriters**—Sherck, Richter & Co., and Straus & Blosser. **Offering**—Of the total, 200,000 shares will be sold through the underwriting group at $8.50 a share, and 3,500 shares will be offered to certain employees at $7.50 a share. Offering postponed indefinitely.

● **Victory Gold Mines Ltd., Montreal, Canada**
Nov. 13 filed 400,000 shares ($1 par) capital stock. **Underwriter**—None as yet. **Price**—25 cents a share. **Proceeds**—For developing mining property. **Business**—Acquiring and developing mining properties.

Webster Electric Co., Racine, Wis.
Sept. 3 filed an unspecified number of shares of common stock (par $1). **Underwriting**—Loewi & Co., Milwaukee. **Offering**—The shares are being sold both by the company and by shareholders. The respective amounts will be supplied by amendment. Price by amendment. **Proceeds**—Company will use about $210,-000 of its net proceeds to redeem 645 shares of its prior preference stock at $110 a share and accrued dividends, and 1,386 shares of second preference stock at $100 a share and accrued dividends. The balance will be added to general corporate funds.

● **Wentink Industries, Inc., Grand Rapids, Mich.**
Nov. 13 (letter of notification) 25,000 shares ($10 par) 6% cumulative preferred and 35,000 shares (no par) common. **Prices**—$10 a preferred share and $1 a common share. No underwriting. For purchase or construction of manufacturing building, purchase of equipment, tools and machinery and for operation of business.

West Coast Airlines, Inc., Seattle, Wash.
Sept. 2 filed 245,000 shares ($1 par) common. **Underwriter** — Auchincloss, Parker & Redpath, Washington, D. C. **Price**—$7 a share. **Proceeds**—Will be used for payment of various expenses, repayment of bank loans, purchase of equipment and for working capital.

West Virginia Water Service Co.
Aug. 6 filed 46,400 shares (no par) common. **Underwriter**—Shea & Co., Boston. Price, by amendment. **Proceeds**—Shea & Co. is selling 26,400 shares for its own account and the remaining 20,000 shares are being sold by Allen & Co., New York, with Shea as underwriter.

● **Western Reserve Finance Co., Cleveland, Ohio**
Nov. 14 (letter of notification) 4,000 shares ($50 par) preferred and 2,300 shares common (no par). **Prices**—$50 and $5 respectively. No underwriting. To increase capital.

● **Westinghouse Electric Corp., Pittsburgh, Pa.**
Nov. 20 filed 500,000 shares of cumulative preferred stock, series B ($100 par). **Underwriter**—Kuhn, Loeb & Co., New York, and associates. **Offering Price**—To be filed by amendment. **Proceeds**—The shares are being sold in connection with company's projected $132,000,000 plant expansion, of which $49,000,000 had been expended up to Sept. 30.

Wheeler, Osgood Co., Tacoma, Wash.
Oct. 7 filed 80,000 shares ($5 par) 50c cumulative convertible preferred stock and 100,000 shares ($1 par) common. **Underwriter**—Sills Minton & Co. **Price**—Preferred, $10 per share; common, $8 per share. **Proceeds**—Will be used to redeem $625,000 4% bonds and $638,600 first and second debentures; balance for working capital.

White's Auto Stores, Inc.
Aug. 29 filed 75,000 shares $1 cumulative convertible preferred stock ($20 par) and 50,000 shares common stock (par $1). **Underwriters**—First Colony Corp. and Childs, Jeffries & Thorndike, Inc. **Offering**—Company is offering 75,000 shares of preferred; the 50,000 shares of common are outstanding and being sold by four individuals for their own account. Price by amendment. **Proceeds**—Proceeds from the sale of the preferred stock will be used to provide funds for a wholly-owned subsidiary, retire loans from banks and from White's Employees Profit Sharing Trust, and for additional working capital. Offering date indefinite.

● **Wiley Mineralized Soil Products, Inc., Leesburg, Fla.**
Nov. 12 (letter of notification) 500 shares of 6% cumulative preferred ($100 par). **Price**—$100 a share. No underwriting. For capital investment and purchasing supplies.

● **Winter & Hirsch, Inc., Chicago**
Nov. 13 (letter of notification) 10,000 shares ($20 par) 7% cumulative preferred. **Price**—$20 a share. No underwriting. For expansion of business and reduction in bank borrowing requirements.

Wisconsin Power & Light Co., Madison, Wis.
May 21 filed 550,000 shares ($10 par) common stock to be sold at competitive bidding. **Underwriters**—By amendment. Probable bidders include Merrill Lynch, Pierce, Fenner & Beane; White, Weld & Co.; Glore, Forgan & Co., and Harriman Ripley & Co. (jointly); The Wisconsin Co., and Dillon, Read & Co. **Proceeds**—Part of the shares are to be sold by Middle West Corp., top holding company of the System, and part by preference stockholders of North West Utilities Co., parent of Wisconsin, who elect to sell such shares of Wisconsin common which will be distributed to them upon the dissolution of North West Utilities Co.

Wyatt Fruit Stores, Dallas, Texas
Nov. 12 filed 5,000 shares (par $100) preferred stock. **Underwriter**—Rauscher, Pierce & Co. **Proceeds**—Will be used in part to equip three new cafeterias, to remodel its super markets and to increase working capital.

Zatso Food Corp., Philadelphia
Oct. 18 (letter of notification) $100,000 5% cumulative preferred stock (par $100) with common stock as bonus. Price, $100 per unit. For purchase of raw materials and for general conduct of business. **Underwriter**—Ludolf Schroeder, 1614 Cambridge St., Philadelphia.

Prospective Security Offerings

(NOT YET IN REGISTRATION)
● INDICATES ADDITIONS SINCE PREVIOUS ISSUE

(Only "prospectives" reported during the past week are given herewith. Items previously noted are not repeated)

● **Australia, Commonwealth of**
Nov. 14 reported considering sale of $25,000,000 bonds in December with Morgan Stanley & Co. as principal underwriters.

● **Baltimore & Ohio RR.**
Nov. 19, refunding the road's high interest bonds hinges upon restoration of railroad credit by means of higher freight rates, Roy B. White, President, stated at the annual meeting. Mr. White stated that "the capital structure of your company has been revamped under our adjustment plan so as to put it on a sound basis by extending maturities, placing part of the interest on a contingent basis and removing legal obstacles to the refunding of our high interest-rated bonds. Further progress, however, is dependent upon the granting of reasonable rates to the carriers by the ICC to offset heavy increases in operating expenses due to increases in wages, taxes and cost of supplies, so that railroad credit will be restored to the point where our higher interest-rated bonds can be refunded at lower interest rates."

● **"Big" and "Little Inch" Pipelines**
Nov. 19 reported from Washington that War Assets Administration had rejected all 16 bids submitted for the purchase of the pipelines constructed during the war by the government at a cost of $145,000,000.

● **Capital Transit Co., Washington, D. C.**
Dec. 11 SEC will hold hearings on Washington Ry. & Electric Co.'s dissolution plan which, among other things, proposes the sale of Capital Transit Co.'s 120,000 shares

(Continued on page 2662)

(Continued from page 2661)

of capital stock owned by Washington Railway & Electric Co.

● **Chesapeake & Ohio Ry.**

Nov. 19 a $26,000,000 contract for 284 railroad cars which calls for the complete replacement of all passenger cars on the Chesapeake & Ohio, Pere Marquette and Nickel Plate roads was awarded to the Pullman Standard Car Manufacturing Co. today. Robert R. Young, Chairman of the C. & O., stated that it was the largest equipment contract ever placed with one manufacturer by any railroad or group of railroads. Delivery of the new cars is scheduled for the last quarter of 1947, but Mr. Young added that it might be the middle of 1948 "before we have any substantial amount delivered. The replacement will be financed by equipment trust certificates at an interest cost of less than 2%. Probable bidders include Halsey, Stuart & Co. Inc.; Salomon Brothers & Hutzler; The First Boston Corp.

● **Delaware Lackawanna & Western RR. (12/15)**

Company will receive bids for the sale of $4,000,000 equipment trust certificates, series E, up to 12 noon (EST), Dec. 15, at 140 Cedar Street, New York 6, N. Y. Probable bidders include Halsey, Stuart & Co.; Salomon Bros. & Hutzler, and financial institutions.

● **Iowa-Illinois Gas & Electric Co.**

Nov. 15 reported company has under consideration plans for refunding its outstanding obligations through sale of a new bond issue. Issues for which refunding is being considered include $10,578,000 of United Light & Railways consolidated 6% bonds and $5,422,000 United Light & Power 1st lien 5½% bonds. The new bonds, it is expected, may be ready for offering by April of next year. Probable bidders include Halsey, Stuart & Co. Inc.; The First Boston Corp.

● **Missouri-Kansas-Texas RR. (12/2)**

Company is advertising for the lowest interest cost at which bidders will provide funds for purchase of new equipment as follows: $482,400 for purchase of 100 hopper cars from American Car & Foundry Co.; $449,990 for five diesel electric switching locomotives to be purchased from General Motors Corp.; and $449,865 for five diesel-electric locomotives to be purchased from Baldwin Locomotive Works.

● **Pennsylvania Turnpike Commission**

Nov. 20 reported the Commission has completed all work preliminary to offering its proposed issue of $46,000,000 in new bonds. Three investment banking groups reported preparing to enter competition, viz.: Glore, Forgan & Co., and Lazard Freres & Co., Inc. (jointly); Shields & Co., and Alex. Brown & Sons (jointly); Drexel & Co.; B. J. Van Ingen & Co., and Blyth & Co., Inc. (jointly).

● **Potomac Electric Co., Washington, D. C.**

Dec. 11 SEC will hold hearing on Washington Railway & Electric Co's. plan of dissolution which provides among other things that Potomac Electric sell through competitive bidding 140,000 shares of 3.60% preferred stock (par $50).

● **Public Service Co. of New Mexico**

Nov. 14 before SEC hearing on liquidation of Federal Light & Traction Co. (parent) Arthur Praeger, President told the Commission that company will need $4,000,000 for improvements in 1947 and 1948, and has considered two methods for raising required funds. One consideration would be to replace $5,492,000 first mortgage bonds of 1966 with a new issue to be sold competitively and the second method would be to issue more bonds to finance the improvements.

● **Puerto Rico Water Resources Authority**

Nov. 18 B. J. Van Ingen & Co., New York has been named to form and manage a syndicate to underwrite and distribute a new issue of approximately $50,000,000 of Puerto Rico Water Resources Authority Electric revenue bonds.

● **Studebaker Corp.**

Nov. 20 stockholders authorized the issuance of up to 200,000 shares (no par) preferred stock. Company does not plan to sell any of the stock presently but will be in a position to carry through a financing program when market conditions permit. Probable underwriters when stock is offered include Kuhn, Loeb & Co., Lehman Bros. and Glore, Forgan & Co.

Southern Ry. (12/3)

Company will receive bids up to 12 noon EST Dec. 3 for the sale of $7,600,000 equipment trust certificates dated Dec. 1, 1946 and due semi-annually June 15, 1947-Dec. 15, 1956. Probable bidders include Halsey, Stuart & Co. Inc.; Salomon Bros & Hutzler; Harriman Ripley & Co.; Harris, Hall & Co. (Inc.).

● **Triborough Bridge Authority**

Nov. 15 reported plans for a $20,000,000 bond issue are being drawn up by the Triborough Bridge Authority, together with Madison Square Garden Corp., in preparation for the financing of the New Madison Square Garden. Probable underwriters include Dillon, Read & Co. Inc.

Observations

(Continued from page 2605)

UNRRA, rest on several highly questionable premises. The fundamental issue here confronting the UN is determination of responsibility for relief to other countries. Exactly where does a nation draw the line against extending such relief? Obviously such a line must be, and always is, drawn at some stage of international political controversy. For example, during time of war one does not feed the citizens of an enemy nation, although on principle the desire to keep fellow-human beings from starving is perpetually and universally prevalent in decent people. Determination of the peacetime provocative point at which the extreme political position of refusal of relief is adopted, despite the affirmative humane and economic motivations, is the crux of the question now before the United States and the United Nations.

Today surely the political elements pervading the behavior of the most important nations asking for material aid, cannot be dodged. For example, it is difficult in weighing questions of further help, to overlook the fact that our past help to Yugoslavia to the tune of footing three-fourths of UNRRA's bill of $490,000,000 there, and our directly sending them tractors and other goods, have been greeted by the shooting down of our planes by her gunners. And a bit less concretely, our philanthropies have again and again been greeted by vituperative Slavic abuse, such as the Russian characterization of our generosity as manifestations of "a capitalistic plot," "encirclement," etc.

While "Food Diplomacy" is just as reprehensible as is, or was, Dollar Diplomacy, it seems that we are being forced into both. Thus former Treasury adviser Jacob Viner, who has always been firmly opposed to such policy, (as quoted in the "Chronicle" of Nov. 14), now states that so great and ominous is the Russian-cum-satellites' threat to Western democracy, that he now must urge our "frank and deliberate resort to dollar diplomacy." Similarly, an important Administration official, John Carter Vincent, Director of Far Eastern Affairs of the State Department, last week forthrightly told the National Foreign Trade Convention, that the United States should not invest private or public capital in countries with "widespread corruption in business and official circles" or where "a government is wasting its substance on excessive armament . . . or where undemocratic concepts of government are controlling." Is there any more reason for giving—in lieu of lending— on a blank-check basis—with us footing 50% of the UN's said blank check? Are we not at least entitled, as Secretary Acheson states, to direct control over the dispensation of our largesse?

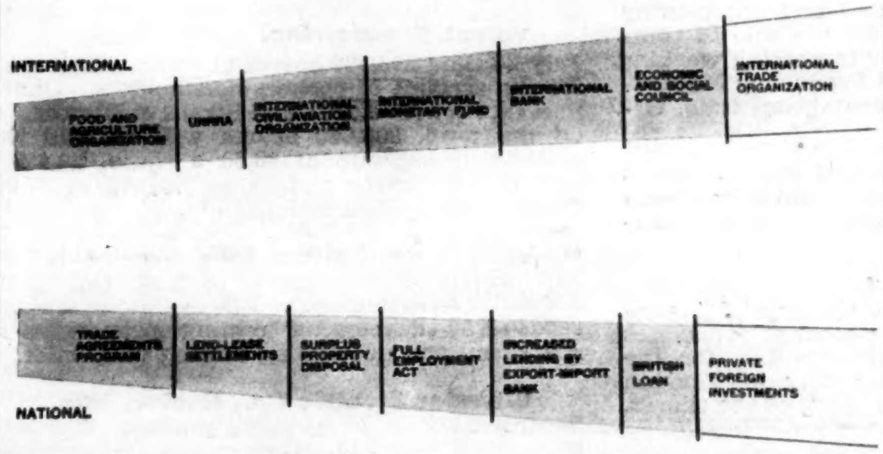
American Help Thus Far

In weighing America's further giving of blank checks as urged with Mr. LaGuardia's colorful strictures and fine humanitarian gestures, our existing commitments must not be overlooked. In addition to the $2,235,000,000 of concrete contribution already made to UNRRA, this country has additionally substantially given of its resources and its services, pursuant to the dictates of the Atlantic Charter, the United Nations and its own initiative (as the Bretton Woods organizations). This can be vividly seen on the appended diagram.

Fumbling for the Check

Of far greater permanent import than the immediate disposition of UNRRA, is the inherent question of principle as to whether the United States should and can be stampeded or otherwise forced by majority votes, to accept responsibility for the overwhelmingly major share, *but not control*, of these undertakings. Up to the present we have footed no less than 72% of the UNRRA bill, whereas Russia, who is loudly backing the proposal for "joint" action, has contributed less than one-tenth of 1%. Under such circumstances the Soviet apparently is willing to "share" in international action, but only when it gets such an edge—witness her persistent refusal to participate in practically all the other international organizations, as Bretton Woods, the International Trade Organization, UNESCO which convened in Paris this week, and the projected UN plan for helping Europe's devastated areas.

This attempted foisting of one-half of the proposed annual $400,000,000 UNRRA-continuation expense is just a slightly different phase of the same question now pervading the budgetary discussion by the General Assembly's Finance and Budget Commission at Lake Success. As Senator Vanderberg stated to the General Assembly last week, the record discloses that to date



Various avenues of U. S. Largesse to the World's Under-privileged

there is one point on which there is complete unanimity among the 50 member nations — namely on the suggestion that the United States should pay 50% of the organization's expenses. "I detect no veto to this proposition, except my own initial disclaimer." The American burden regarding the special organization may be even larger, for the UNRRA-minded Soviet is paying for none of these. And this item will be appreciable—Mr. Archibald McLeish in Paris this week already managed to visualize a budget of not less than $2 billion for UNESCO alone.

Of course there is "no veto," but only enthusiasm by the USSR, charged with but 6%; by the United Kingdom with 10½%; Poland with 1%; Yugoslavia 0.3%; and the rest of the Organization's "majority" of 50; for sticking the United States with half of the administrative bill.

* * * *

Weighing all the above-cited factors that are involved, it would seem only proper, for the United States to retain freedom of action in fulfilling its humanitarian obligations individually as it sees fit.

Mortgage Financing Down 7% in Sept.

Mortgage financing activity in the nation during September declined 7% from the previous monthly peak reached in August, the Federal Home Loan Bank Administration reported on Nov. 9. However, the total of $929,000,000 of non-farm mortgage recorded represented a rise of 50% over September 1945. The NHA's announcement continued:

"With the exception of insurance companies, which registered a 2% increase, all types of lenders experienced a decline in volume from August to September. Compared with September of last year, mutual savings banks, commercial banks and insurance companies reported a rise in September of more than 150%. For the first nine months of 1946, mortgage financing activity totalled about $7,700,000,000—93% higher than for the same period of 1945.

The compilations are limited to recordings of mortgages of $20,000 or less. Following are the number and amount of recordings for the first nine months of 1946, by type of lender, together with their relative participation in the total of mortgage activity:

	Number	Amount	% of Amount
Savings and loan associations	627,643	$2,588,387,000	34%
Insurance companies	59,510	338,896,000	4
Banks and trust companies	433,459	1,946,672,000	25
Mutual savings banks	74,076	393,731,000	5
Individuals	473,920	1,527,025,000	20
Miscellaneous lending institutions	191,615	902,546,000	12
Total	1,860,223	$7,697,257,000	100%

President Considering Legislative Program

A White House announcement on Nov. 13 stated that President Truman had commenced work on the legislative program to be submitted to the new Congress in January in his annual message, Associated Press Washington advices reported. Presidential press secretary Charles G. Ross declined to reveal the extent to which consideration of the President's program had progressed and would give no indication of whether Mr. Truman might have in mind labor law modifications.

When asked by reporters whether the President planned to invite the Republican majority leaders to the White House for weekly conferences, Mr. Ross reiterated what the President himself had said earlier, that a decision on weekly consultations would be made when the new Congress meets.

Death of Frank Watts, Former ABA President

The deaths of three ABA leaders, namely, former Presidents Philip Benson and E. F. Swinney, and Brig.-Gen. Leonard P. Ayres, were noted in our Nov. 14 issue, Page 2525. In calling attention to the death since of Frank O. Watts, President of the American Bankers Association in the year 1910-11, an announcement from the ABA on Nov. 13 stated that he died on Nov. 5 in St. Louis. Mr. Watts was 78 years old and was active in banking circles for 58 years. At the time of his death he was Honorary Chairman of the board of the First National Bank in St. Louis. Mr. Watts had also been President of the Tennessee Bankers Association, of which he was a charter member, and he held many posts of leadership in banking affairs. Other details of Mr. Watts' career were given in these columns Nov. 14, page 2536.

Pan American Union Elects Ambassador Rocha

When Spruille Braden, Assistant Secretary of State, declined the post of Chairman of the Governing Board of the Pan American Union, Ambassador Antonio Rocha of Colombia was elected to the Chairmanship, according to Washington advices (Associated Press) on Nov. 6. Mr. Braden had refused to accept on the ground that the United States had held the honor for many years and that he intended to stand by the Mexico City decision to rotate the Chairmanship.

Our Reporter's Report

This promised to be a busy day for investment bankers and their distributing organizations, what with two substantial undertakings due to reach market provided nothing happened to upset plans of the bankers sponsoring the operations.

Bethlehem Steel Corp.'s new money issue of $50,000,000 of 30-year sinking fund 2¾% bonds was slated for public offering, with discussion in market circles indicating a price of 100 to the investor.

According to those who have been watching the demand shape up for this issue, it is assured of ready acceptance. The only possible fly in the ointment here would be the mine workers' walkout scheduled to be called last midnight, but which, in reality, was already pretty much of a fact in the coal producing areas.

Simultaneously, another banking syndicate was scheduled to market new preferred stock and a block of already issued common shares of the James Lees & Sons Co.

Of the 30,000 shares of new preferred involved here, some 14,399 shares will be offered first to holders of the outstanding senior issue on an exchange basis. The balance, along with any unexchanged shares, will be sold publicly and proceeds used to retire unexchanged shares.

The 263,833 shares of $3 par common are being sold by certain stockholders and will provide funds for working capital and for use in financing construction of a new plant at Glasgow, Va.

Good Week in Offerings

All in all the current week has been the best in some time for the underwriting fraternity, from a standpoint of new issues, what with six sizable offerings being handled provided those slated today appeared on schedule.

Earlier in the week bankers brought to market a $30,000,000 debenture issue for the Hiram Walker-Gooderham & Worts, Ltd., and its subsidiary in the United States, Hiram Walker & Sons, Inc., also preferred and common shares of the National Alfalfa Dehydrating & Milling Co.

And late yesterday, following the close of the market, a nationwide group was slated to open books on a huge secondary operation involving 399,860 shares of capital stock of Gulf Oil Corp., being sold for members of the Mellon family and charitable institutions and trusts operated by the family.

Insurance Buyers More Active

Portfolio managers for the major insurance companies, probably the largest single outlet for new corporate securities, are reported to be showing a bit more interest in new issues which have been appearing lately.

These buyers, hard bargainers always, have not relaxed much in their demands, according to people who get around in such circles, but the fact remains that they are showing greater willingness to consider new securities.

Their aim, say those who are aware of what goes on, is to take up blocks of new material in the hope of averaging down on such lines over a period of time. Meanwhile, as a result of this program, they are definitely more anxious to trade than they had been in recent months.

Security Registration

Securities and Exchange Commission Chairman Caffrey's promise of easing the monumental tasks now involved in registration of new securities was naturally received with satisfaction in financial circles.

Once again the SEC chief warned that there is no intention of letting down on maintenance of the securities laws. But looking at the matter from a practical point of view, he made it clear that he believes the procedure now is highly complicated and that it can be satisfactorily revised without giving any ground so far as the investors' protection is concerned.

This might, he indicated, mean the elimination of certain forms now required and the simplification of others, notably much of the superfluous matter now mandatory in the setting up of a prospectus.

Kimberly-Clark Corp.

Tomorrow, if schedules are held intact, investors will have an opportunity for subscribing for new preferred stock of the Kimberly-Clark Corp.

Bankers reportedly plan to bring out the 70,000 shares of new 4% cumulative preferred stock which has been in registration with SEC.

Proceeds from this undertaking will be used to expand working capital for general purposes, including construction of additional plant facilities.

DIVIDEND NOTICES

ALLIS-CHALMERS MFG. CO.

COMMON DIVIDEND NO. 90

A regular quarterly dividend of forty cents ($0.40) per share upon the issued and outstanding Common Stock, without par value of this company, has been declared, payable December 23, 1946, to stockholders of record at the close of business December 5, 1946. Transfer books will not be closed. Checks will be mailed.

W. E. HAWKINSON,
Secretary-Treasurer.

November 12, 1946.

Bayuk Cigars Inc.

A dividend of twenty-five cents (25c) per share on the Common Stock of this Corporation was declared payable Dec. 14, 1946, to stockholders of record Nov. 29, 1946.

An extra dividend of fifty cents (50c) per share on the Common Stock of this Corporation was declared payable December 14, 1946 to stockholders of record Nov. 29, 1946.

Checks will be mailed.

John A. Snyder
TREASURER

Philadelphia, Pa.
Nov. 15, 1946

PHILLIES
America's No. 1 cigar

ELECTRIC BOAT COMPANY
33 PINE STREET, NEW YORK, N. Y.

The Board of Directors has this day declared a dividend of twenty-five cents per share on the Common Stock of the Company, payable December 10, 1946, to stockholders of record at the close of business November 28, 1946.

Checks will be mailed by Bankers Trust Co., 16 Wall St., New York 15, N. Y., Transfer Agent.

H. G. SMITH, Treasurer

November 14, 1946

DIVIDEND NOTICES

American Power & Light Company
Two Rector Street, New York, N. Y.
PREFERRED STOCK DIVIDENDS

A dividend of $1.50 per share on the Preferred Stock ($6) and a dividend of $1.25 per share on the $5 Preferred Stock of American Power & Light Company were declared on November 20, 1946, for payment January 2, 1947, to stockholders of record at the close of business December 4, 1946.

D. W. JACK, *Secretary and Treasurer.*

Electric Power & Light Corporation
Dividends on
$6 Preferred Stock & $7 Preferred Stock

The Board of Directors of Electric Power & Light Corporation at a meeting held on November 20, 1946, declared a dividend of $1.50 per share on the $6 Preferred Stock and a dividend of $1.75 per share on the $7 Preferred Stock of the Corporation for payment January 2, 1947, to stockholders of record at the close of business December 10, 1946.

H. F. SANDERS, *Treasurer.*

INTERNATIONAL SALT COMPANY
475 Fifth Avenue, New York 17, N. Y.

A dividend of ONE DOLLAR a share has been declared on the capital stock of this Company, payable December 17, 1946, to stockholders of record at the close of business on December 2, 1946. The stock transfer books of the Company will not be closed.

HERVEY J. OSBORN, *Secretary.*

KENNECOTT COPPER CORPORATION
120 Broadway, New York 5, N. Y.
November 15, 1946

A cash distribution of twenty-five cents (25c) a share and a special cash distribution of seventy-five cents (75c) a share have today been declared by Kennecott Copper Corporation, payable on December 21, 1946 to stockholders of record at the close of business on November 29, 1946.

A. S. CHEROUNY, *Secretary.*

The Board of Directors of
PITTSBURGH CONSOLIDATION COAL COMPANY
(Incorporated in Pennsylvania)

at a meeting held today, declared a quarterly dividend of 35 cents per share on the Common Stock of the Company, payable on December 12, 1946, to shareholders of record at the close of business on November 29, 1946. Checks will be mailed.

CHARLES E. BEACHLEY,
Secretary-Treasurer

November 18, 1946

DIVIDEND NOTICES

Safeway Stores, Incorporated

Preferred and Common Stock Dividends

Notice is hereby given that the Board of Directors of Safeway Stores, Incorporated, on October 28, 1946, declared quarterly dividends of 25c per share on the Company's $5 Par Value Common Stock payable December 17, 1946, to holders of such stock of record at the close of business December 4, 1946, and $1.25 per share on the Company's 5% Preferred Stock, payable January 1, 1947, to holders of such stock of record at the close of business December 4, 1946.

MILTON L. SELBY, *Secretary.*

October 28, 1946.

TENNESSEE CORPORATION

A dividend of 25¢ per share has been declared, payable December 12, 1946, to stockholders of record at the close of business November 27, 1946.

An extra dividend of 25¢ per share has been declared, payable January 9, 1947, to stockholders of record at the close of business November 27, 1946.

61 Broadway
New York 6, N. Y.
November 12, 1946.

J. B. McGEE
Treasurer.

UNITED GAS CORPORATION
Common Stock Dividend

At a meeting of the Board of Directors of United Gas Corporation held November 20, 1946 a dividend of twenty cents (20c) per share on the Common Stock of the corporation was declared for payment January 2, 1947 to stockholders of record at the close of business on December 10, 1946. The directors have not established a fixed annual dividend rate on such Common Stock.

J. H. MIRACLE, Secretary.

AMERICAN CYANAMID COMPANY

Preference Dividend

The Board of Directors of American Cyanamid Company, on November 19, 1946, declared a quarterly dividend of 1¼% ($.125) per share on the outstanding shares of the 5% Cumulative Preference Stock of the Company, payable January 2, 1947, to the holders of such stock of record at the close of business December 2, 1946.

Common Dividends

The Board of Directors of American Cyanamid Company, on November 19, 1946, declared

1. A quarterly dividend of twenty-five cents (25¢) per share on the outstanding shares of the Common Stock of the Company, payable January 2, 1947, to the holders of such stock of record at the close of business December 2, 1946;
   and
2. A special dividend of fifty cents (50¢) per share on the outstanding shares of the Common Stock of the Company, payable December 28, 1946, to the holders of such stock of record at the close of business December 2, 1946.

W. P. STURTEVANT, *Secretary.*

REDEMPTION NOTICE

GREAT NORTHERN RAILWAY COMPANY

General Mortgage 4½% Gold Bonds, Series E, due July 1, 1977

to be called for redemption July 1, 1947

NOTICE OF PREPAYMENT

GREAT NORTHERN RAILWAY COMPANY has heretofore irrevocably directed The First National Bank of the City of New York to publish appropriate notices calling for redemption on July 1, 1947 the entire issue of the above mentioned Series E Bonds then outstanding at 105% of principal amount plus accrued interest to said date.

Holders of said Series E Bonds may obtain prepayment of said bonds at the redemption price thereof, viz., 105% of principal amount together with accrued interest to July 1, 1947, by surrendering such bonds with all unmatured appurtenant coupons to The First National Bank of the City of New York, at its office, No. 2 Wall Street, New York 15, New York, on or prior to the close of business December 27, 1946. Payment as aforesaid in respect of bonds so surrendered will be made within five days after the surrender of such bonds.

GREAT NORTHERN RAILWAY COMPANY

By F. J. GAVIN, *President*

St. Paul, Minnesota
November 7, 1946

New York Stock Exchange Wants Securities Acts Simplified to Aid Listing of Foreign Issues

Feels present disclosure requirements stand in way of general listing of foreign securities on various national security exchanges. Wants SEC to consent to substitution of a more simplified statement of essential facts for voluminous detail which is now demanded. Exchange believes numerous opportunities are now lost for investment of American funds in many parts of world.

A revision of the rules and forms of the Securities Acts and possibly even of parts of the statutes themselves to eliminate voluminous detail while preserving the principle of disclosure of material financial facts is being sought by the New York Stock Exchange in a move to make it practical for foreign companies to list their securities on the various security exchanges in this country.

The 1934 Act requires the registration of all securities—domestic and foreign—with the Securities and Exchange Commission before transactions may be effected on any national security exchange, but many foreign companies, although having securities outstanding abroad, would have to make their initial distribution here and so in addition would have to register their securities under the 1933 Act which calls for more information.

At the present time, it is often only the foreign company desirous of obtaining American dollars or dollar credits in this country that is willing to make the necessary effort to conform to these regulations. Little incentive exists, it is believed, for the average successful foreign company to go out of its way to list its securities on the New York Stock Exchange or other American exchanges. Numerous opportunities are thus lost for the investment of American funds in many parts of the world, it is thought.

The New York Stock Exchange's Department of Stock List is now analyzing the forms and detailed provisions of the Securities Act of 1933 from the point of view of the problems of the foreign issuer in the hope of developing concrete proposals that may serve as a basis for discussions with the SEC covering changes that may seem desirable.

In the light of the study which James J. Caffrey, Chairman of the SEC, told the Association of Stock Exchange Firms Monday night the SEC staff is making of the overall problem, the hope is cherished that the SEC will consent to the substitution of a more simplified statement of the essential facts for the voluminous material which must now be prepared. A statement in the nature of the annual report now issued by the typical large American corporation to its stockholders, for example, might be adequate for the purposes of the law, it is thought.

Investors do not always understand the voluminous document either, no matter how carefully it may be prepared, because many accounting terms in the balance sheet of an average foreign company do not always mean the same thing they do on the American ledgers, it is held. Reference to foreign tax laws, too, are often meaningless without some knowledge of the particular environment to which they apply or situations out of which they arise, it is pointed out.

General background information, such as data on foreign exchange regulations and tax laws of the country where the company is organized may be more important in final analysis than great detail in the financial statements and schedules about the company itself, in fact, it is held.

It is recognized, of course, that if the disclosure requirements could be simplified for American companies seeking new money through underwriting channels, it would probably be easier to obtain a simplification in the law in favor of the foreign companies looking to American investors for additional capital; that is, if the principle of simplification could be applied to the domestic field, it would undoubtedly be a relatively simple matter to extend it to the foreign field, it is thought.

In a sense, therefore, the Exchange's efforts to seek a revision of the Securities Acts for the benefit of the American investor who wants to enter foreign markets and the current attempt the underwriting industry is known to be making to obtain changes in the Acts favorable to the investor who desires to put his money to work in the home market are two angles to the same problem, although each is being tackled separately.

As the Exchange views its particular interest in the matter, the problem is not to abandon its own long-term traditional policy of what it feels to be necessary disclosure to investors, a disclosure which, by the way, antedates the SEC requirements in this regard, but to find machinery to make it more practical and effective.

Broker Wants NYSE to Clear Way for Court Test of 100% Margins

(Continued from page 2607)

the loss of this business has caused an unnecessary hardship on the industry, he thinks. The 100% margin rule has thus not only removed a certain healthy liquidity from the Stock Market but also has caused serious injury to the financial health of the entire securities industry, in his opinion.

The Federal Reserve's recent ruling permitting stockholders of a corporation to make up to 50% use of their securities as collateral for the purchase of new issues is a gross discrimination against the Wall Street investor, he charges. He does feel, however, that this partial relaxation of the rules may be the forerunner to a general lowering of the bars with respect to margin trading in all its phases.

It would appear to him that Marriner S. Eccles, Chairman of the Federal Reserve Board, is staying up nights trying to figure out ways of relaxing margin requirements without letting the Wall Street community benefit from any changes that can be made in the rules.

Thus, this particular broker would like to see Emil Schram, President of the New York Stock Exchange, continue his fight against the 100% margin restrictions not by appealing first to the Federal Reserve Board for some consideration in the matter but by taking steps to remove any obstacles which the Stock Exchange itself may have put in the way of those of its members who may be inclined to test the issue in the courts. No firm is going to risk the possible suspension of its privileges by fighting a Federal Reserve rule that has the implied if not the real sanction of the Stock Exchange itself, he points out.

Farr With Crummer Co.

CHICAGO, ILL.—Omer B. Farr has become affiliated with The Crummer Company, Inc., First National Bank Bldg.

De Groot With Waters

(Special to THE FINANCIAL CHRONICLE)

GRAND RAPIDS, MICH.—John E. De Groot has been added to the staff of Dudley H. Water & Co., Association of Commerce Bldg.

American Securities Corp. In New Location

The American Securities Corp. announces the opening of its new offices at 25 Broad Street, New York City.

Seaverns With Shearson

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Louis C. Seaverns has joined the staff of Shearson, Hammill & Co., 208 South La Salle Street. He was previously with Faroll & Co.

Healey With Slayton

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—Edwin H. Healey has joined the staff of Slayton & Co., Inc., 408 Olive Street.

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Final Edition ESTABLISHED 1839 In 2 Sections—Section 2

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 164 Number 4544 New York, N. Y., Thursday, November 21, 1946 Price 60 Cents a Copy

Estimating Costs of Economic Changes

By ENDERS M. VOORHEES*

Chairman, Finance Committee, U. S. Steel Corp.

Leading steel company executive, warning American industry is not in as sound a financial position as generally believed, contends reserves set up for economic losses arising out of war may be insufficient, as impact of losses may extend over long period. Cites increased replacement and inventory costs due to higher prices, and maintains customers are final arbiter in determining whether they will pay these higher costs. Urges more publicity of costs and profits on correct accounting basis, and denies "man-hour output" is correct measure of worker's productivity. Sees need for change in some accounting concepts.

I particularly welcome the opportunity to talk with this group because it is our responsibility to keep the books and compile the records that tell where industry is and where it is going. That is a very grave responsibility because those records are the fact basis not only for individual management decisions, but also, and ever increasingly, for public and government decisions. I need not tell you that it a rare accident when right decisions result from contemplation of wrong "facts."

Enders M. Voorhees

The main fact today is that American industry is not in nearly as sound financial position as it is too often prone to think it is. This is complacency that is ominous. It is a common fallacy to suppose that war breeds prosperity. But such a supposition flies in the face of inner convic-

(Continued on page 2671)

*An address by Mr. Voorhees before Pittsburgh Chapter of the National Association of Cost Accountants, Pittsburgh, Pa., Nov. 13, 1946.

Advocates Free Sugar Market

Ody H. Lamborn advocates government announce it will not purchase 1948 crop and urges free and untrammelled market in sugar be permitted. Asks that American sugar supply be retained and not diverted to foreign destinations.

Pointing out that the International Emergency Food Council will meet shortly to deliberate on the question of sugar allocations on an international basis, Ody H. Lamborn, President of Lamborn & Company, Inc., in an address made before the American Bottlers of Carbonated Beverages annual meeting in Miami, Fla., on Nov. 20, declared that every possible pound of sugar from areas of supply for the United States should be retained for the American people.

Ody H. Lamborn

Mr. Lamborn stated that unless new legislation is enacted by the new Congress, convening in early January, sugar rationing can end

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GENERAL CONTENTS

Some Defects in International Trade Organization's Proposals

By JOHN E. LOCKWOOD*

Partner, Curtis, Mallet-Prevost, Colt & Mosle, New York

International attorney, though supporting general plan of ITO, points out practical difficulties likely to develop from provisions designed to prevent restrictive business practices. Contends these provisions amount to a paradox in that they seek to free international trade through increased regulation. Points out growth of state trading throughout world as menace to American free competitive system in foreign trade transactions, and suggests a commission to afford freedom from anti-trust laws in certain foreign trade operations. Stresses need of flexibility in foreign trade regulations and calls upon American business to meet challenge against free enterprise system throughout world.

When we last met, a year ago, the war was just over. We were greatly preoccupied with the immediate short-term problems of reconversion. For most of us, I think, the longer term problems were not entirely clear. But we had a feeling of optimism. One fact stood out — the enormous need and demand for goods and services all over the world and the ability of American industry and American labor, management and technicians, which had achieved such miracles of production in the war, to help materially in meeting the pressing needs of the people throughout the world. There was work to be done and we were ready to do it.

John E. Lockwood

Today, a year later, as we survey the same scene, the main problems are much clearer, and I think there is much less easy optimism. All over the world there are clashes between the different political and economic systems which prevail among the victor nations. The political and economic differences are opposite sides of the same coin. Although we read more in the press of the political problems of the settlement of the peace, the economic problems are just as fundamental. We know now that settlement of these economic problems is a matter of great difficulty and great

(Continued on page 2672)

*An address by Mr. Lockwood before 33rd National Foreign Trade Convention, New York City, Nov. 11, 1946.

As We See It

EDITORIAL

Have We Had Enough of Labor Monopoly?

With price controls for the most part now a matter of history, and with assurances that most of the remaining controls are soon to be greatly reduced or largely eliminated, the business community finds itself face to face with the question of the future attitude of monopolistic labor unionism. It is true, of course, that the plague of government intermeddling will not be wholly absent from the minds of business men until "emergency" power no longer resides in the Chief Executive or any of his subordinates or associates, but the immediate worry must now be whether labor leaders will cooperate in an endeavor to get American business on a safe and sure footing.

The Coal Situation

The present situation in the coal mines, where "confused alarums" may be a prelude to "strife," appears to raise just such a question. It may be that the developments in this situation during the next month or two will go far toward revealing, or even determining, what is to take place elsewhere in the economy. It could be, on the other hand, that we shall have to wait events at other "critical" points such as steel. There is good reason to doubt whether the great rank and file of wage earners really want to engage at this time in costly strikes. They are more sensitive than some of their leaders to the feelings of their immediate neighbors and their own families. They probably sense the doubtfulness of their being able to get enough out of any such struggles to repay the cost of them.

Dictators, Not Leaders

But labor union officials in this country are more nearly dictators than merely leaders. Their organizations often enable them to act without too much regard for the real

(Continued on page 2668)

From Washington Ahead of the News

By CARLISLE BARGERON

RFC's Future a Moot Question

There is quite a controversy going on behind the scenes over the RFC, perhaps the most fabulous agency which any government anywhere, ever created. Set up by Hoover as an emergency agency, it was developed by Jesse Jones under Roosevelt. Jesse once made the statement that it could do just about anything imaginable, and at one time or another during its career, it has done pretty much just that.

For example, little or nothing is known publicly of its operations in the immediate pre-Pearl Harbor period when it was spending millions in preparation for war at a time when Roosevelt would not have dared ask Congress for a war appropriation.

Carlisle Bargeron

The question now is what about its future? Should it remain with us or should it be liquidated, or should it be maintained as a standby agency? It is not generally realized but something must be done before June 30 when, without additional legislation, it would expire.

There is an amazing lot of support among Washington high officials, and certainly among Republicans for its liquidation. Privately Jesse Jones believes it should be liquidated though he is not likely to say so publicly. Others like John Snyder think it should be maintained as a standby agency, something which can be promptly activated in the event of another emergency.

In Washington high circles, regardless of what an individual may think should or should not be done, there is a feeling that the organization will not altogether be done away with. No administration, Republican or Democrat, it is felt, would like to see this because of the tremendous powers which

(Continued on page 2673)

Lest We Forget!

"The dawn of the great period of prosperity should come with the return of free enterprise. The time to understand the enterprise system, and to make it work, is here now. . . .

"Profit, often a target of the critics of the system of private initiative, is actually the lifeblood of industry's expansion and the welfare of the people. The wage motive will cause a man to take a job, providing the profit motive first creates the job. It required at prewar prices about $5,000 to $6,000 investment in plant facilities and working capital to create one self-sustaining job in our economy. . . .

"An individual competitive enterprise system, relying on thousands and even millions of separate establishments, each anxious to serve and grow, should always be able to out-produce a system of government monopolies under central control of bureaus. . . .

"Now that we have many millions of workers in labor unions there is great danger that wage rates will rise more rapidly than productivity increases and thereby force prices upward. The rise will impair the purchasing power of teachers, ministers, government employees and others whose incomes are more or less fixed. Labor itself suffers when it overprices its services and prices itself out of the labor market."—The Chamber of Commerce of the United States.

It is well to remind ourselves now and again of these elementary truths.

ODT Orders 25% Reduction in Coal-Powered Passenger Trains—Freight May Be Affected

Because of the threatened stoppage of production of bituminous coal, the Office of Defense Transportation on Nov. 18 ordered a 25% slash in railroad passenger service performed by coal-burning locomotives, effective at 11:59 p.m., next Sunday, Nov. 24, according to an Associated Press dispatch from Washington D. C., which added:

The order provides that no railroad shall operate daily coal-burning passenger locomotive mileage in excess of 75% of the total such mileage operated on Nov. 1, 1946, and that the railroads may apply the cuts in passenger services and passenger reservations "at their own discretion."

The order bans circus trains, carnival trains, special passenger trains and any other train which a railroad is not required to transport "as a common carrier."

The agency said the action to reduce passenger service was necessary because railroad bituminous coal stockpiles on the average amount to only a 30-day supply "based on the tonnage being burned as of Nov. 1, 1946."

The ODT also warned that a continued stoppage of bituminous mining operations "would result in the curtailment of freight, parcel post, mail and railway express shipments and all export traffic, except food, clothing and medicine."

[It was stated that the railroads have begun preparations of new train schedules to comply with the order for a 25% reduction in passenger travel.]

Soft Coal Supplies Frozen

Julius A. Krug, Secretary of the Interior and head of the Solid Fuels Administration for War, on Nov. 16 issued three orders in connection with the freezing of soft coal stocks.

One order froze all coal in transit or which might be produced by the mines on Nov. 16. A second held all stocks in shipment on the Great Lakes or other waterways. And the third froze all supplies in retail dealers yards.

These orders provide that no coal can be distributed to consumers without approval of the SFAW. Only those with less than ten days' supply can obtain soft coal.

Court Bars Coal Strike

The Department of Justice on Nov. 18 announced that Federal Judge T. Allan Goldsborough has signed a temporary order designed to restrain a walkout by John L. Lewis' 400,000 soft coal miners, according to an Associated Press dispatch, which further states in part:

The Department said the restraining order bars Mr. Lewis from terminating at Wednesday (Nov. 20) midnight his working contract with the Government. Judge Goldsborough's order, the Department said, expires on Nov. 27 at 3 p.m., unless "before such time the order for good cause shown is extended, or unless the defendants consent that it may be extended for a longer period."

A hearing on the Department's request for a preliminary injunction to bar breach of contract was set for hearing Nov. 27 at 10 a.m.

The Court action was taken as thousands of soft coal miners quit work, curtailing bituminous production in advance of the termination deadline given by Mr. Lewis.

The United Press, in a dispatch from Washington on Nov. 19 had the following to say: "In Pittsburgh, Pa., a survey showed that more than 87,000 of the members of the United Mine Workers of America (AFL) were idle. The Solid Fuels Administration, reporting 272 pits shut down, estimated that production losses on Nov. 18 and Nov. 19 at 633,487 tons. Normal daily production is about 2,200,000 tons.

"At the rate in which the soft coal miners were walking out ahead of the deadline, it was apparent that vital bituminous production will be at a dead stop by Thursday morning (Nov. 21) unless Mr. Lewis rules otherwise."

ABA Council Meeting To Be Held in Spring

French Lick Springs Hotel at French Lick, Ind., will be the meeting place for the annual spring meeting of the Executive Council of the American Bankers Association, it was announced on Oct. 12 by C. W. Bailey, A.B.A. President. Mr. Bailey is President of the First National Bank in Clarksville, Tenn. The dates for the meeting will be April 13-15.

The Executive Council meets twice a year in April and again during the general convention in the fall. It is the governing body of the Association, second only to the general convention, and consists of the officers of the Association, the President and Vice-President of each of its six divisions and sections, the chairmen of the several A.B.A. commissions, representatives elected each year by the Association members in the 49 states, and 12 members at large appointed by the Association president.

In addition to the members of the Executive Council, the gathering will bring together the leaders of the Association's working committees, commissions, and councils and all officers of its divisions and sections, all of whom are the working machinery of the Association. Members of the official family are requested not to seek hotel reservations now since the hotel cannot accept them at this early date. Reservation forms for this purpose will be mailed to them from A.B.A. headquarters later.

New U. S. Senate Includes 13 Wartime Governors

The new U. S. Senate will include 13 wartime Governors, according to Associated Press accounts from Washington on Nov. 13, which said that seven were elected in the general elections and six are holdovers. Eight are Republicans and five are Democrats. The press accounts as given in the New York "Sun" also stated:

Senator Holland (D.-Fla.) recalled today that all knew each other and have worked together before as members of the National Governors Conference. Mr. Holland is now serving by appointment and was elected a week ago to a full term beginning in January. Former Governors chosen with him were: Martin (R.-Pa.), Thye (R.-Minn.), O'Conor (D.-Md.), Bricker (R.-Ohio), McGrath (D.-D.I.) and Baldwin (R.-Conn.).

Wartime Governors already on the Senate rolls include: Saltonstall (R.-Mass.), Hickenlooper (R.-Iowa), Donnell (R.-Mo.), Johnston (D.-S. C.), Mayback (D.-S. C.) and Bushfield (R.-S. D.).

Senator Carvile (D.-Nev.), another wartime Governor, was defeated for renomination by Representative Bunker (D.-Nev.) who, in turn, was defeated in the general election by George W. Malone, Reno Republican.

OPA Trials Continue

Despite anticipation that with the lifting of price controls those already liable for prosecution under the law for infringements would be permitted to escape penalty, announcement was made by the Office of Price Administration on Nov. 13 of its intention to proceed with prosecution of more than 10,000 damage suits and some 1,000 criminal cases involving claims of violations. An OPA official, according to Washington advices from the Associated Press, estimated that cases now in the courts would mean a return of "substantially over $35,000,000 in damages" to the government if prosecutions are successful.

Another 5,000 civil cases are under review and probably will bring the filing of additional suits, the official added.

Industrial Activity to Oct. 15 Reported by Federal Reserve Board

"Industrial production continued with little change in September and the early part of October," according to the summary of general business and financial conditions in the United States, based upon statistics for September and the first half of October, issued on Oct. 28 by the Board of Governors of the Federal Reserve System. "Department store sales have shown no further rise from the high level reached at the end of August," said the Board, "although there is usually a considerable increase at this season. Wholesale prices of livestock and meats advanced sharply after the removal of price controls in the middle of October, while prices of cotton and grains declined," the Board noted, and it added:

Industrial Production

"The Board's seasonally adjusted index of industrial production was maintained in September at the August rate, which was 177% of the 1935-39 average. Following the reestablishment of Federal price controls on livestock at the beginning of September, curtailment in marketings resulted in a sharp drop in activity at meatpacking plants; this decline offset, in the total index, further small gains in output of numerous other manufactured products and minerals. After the middle of October, when controls were removed, slaughter operations showed a sharp increase.

"Output of durable manufactures rose 2% in September, reflecting chiefly further gains in activity in the machinery and transportation equipment industries. Output of nonferrous metals also continued to rise in September and was at the highest level since the end of the war. Iron and steel production was maintained at about the August rate. In the first four weeks of October activity at steel mills advanced slightly, averaging for this period a scheduled rate of 90.3% of capacity. Production of lumber and other building materials continued to increase in September. Except for the sharp drop in meat production, there was little change in the output of nondurable goods.

"Output of minerals rose slightly in September as increased production of coal and of metals more than offset a slight decline in output of crude petroleum.

Construction

"Value of construction contracts awarded, as reported by the F. W. Dodge Corporation, declined further in September. Nonresidential building awards dropped one-fifth to the lowest level since the end of the war, reflecting chiefly a sharp decline in contracts for factory construction. Residential awards were maintained at the high levels prevailing in July and August.

Employment

"Employment in nonagricultural establishments advanced somewhat further in September, after allowing for seasonal changes, reflecting continued gains in industries manufacturing durable goods and in trade and service lines. The number of persons unemployed remained at about two million.

Distribution

"Department store sales, which were in exceptionally large volume in August, increased by less than the usual amount in September and the early part of October. The Board's seasonally adjusted index was 269 in September as compared with 290 in August and an average level of 257 during the first seven months of the year. Since the middle of September sales have been considerably reduced in two important areas by industrial disputes, but sales in most other districts of the country have also shown a smaller rise than is usual during this season of the year.

"Loadings of most classes of railroad revenue freight were maintained at an exceptionally high rate in September and the early part of October. Shortages of freight cars persisted during this period, which is the seasonal high point of the year, limiting to some extent the distribution of commodities.

Commodity Prices

"In the middle of October Federal price ceilings were removed from livestock and meats and it was indicated that the controls remaining over most other commodities would be discontinued. During the subsequent week prices of livestock, meats, and some other agricultural commodities showed sharp advances and exceeded the previous peaks reached reached during the lapse of price control in July. Wholesale prices of various other commodities, including cotton, grains, butter, and eggs, declined but were still above the levels prevailing at the end of June. Wholesale prices of industrial products have generally continued to show relatively moderate advances in recent weeks.

Bank Credit

"Member bank reserve balances in September and the first half of October fluctuated somewhat, reflecting Treasury debt retirement operations and quarterly income tax collections. Required reserves increased somewhat in the first half of September and subsequently showed little change. Reserve Bank holdings of Government securities increased late in September and subsequently declined.

"Commercial and industrial loans at weekly reporting banks in 101 leading cities continued to expand rapidly during September and early October. Real estate and consumer loans increased further, while loans for purchasing or carrying securities continued to decline. Holdings of Government securities were reduced considerably during the period, reflecting largely Treasury cash retirement of certificates on October 1."

Army-Navy Civil Jobs Cut

Army civilian employees must be reduced 73,200 in number, and Navy employees by 20,200 before Jan. 1, 1947, by order of Budget Director James E. Webb on Nov. 13, Associated Press Washington advices stated. A top limit of 892,600 on the number of civilians for military programs was set for the first quarter of 1947.

On Aug. 31, 1945, the pay date immediately following the victory over Japan, the total actual civilian employment by the military services was 1,843,122, including 16,000 persons assigned from the Navy to the Coast Guard at the start of 1946. The War Department's civilian personnel, numbering 1,135,920 at V-J day, is under a job ceiling of 602,000.

Webb ordered a further reduction to 528,800 for the first quarter of 1947. Of that number, 38,800 will be engaged on such civil functions as flood control and river and harbor improvement.

The Navy, down from 707,202 at V-J day to 384,000, was ordered to get under a ceiling of 363,800 for the quarter beginning on January 1. The Budget Bureau indicated that it would have similar word on the reductions of personnel for governmental agencies in the non-military field later this month.

Martin Supports Move for 20% Tax Reduction—Knutson's Pledge on Cuts—Opposition by Snyder

The 20% cut in individual taxes proposed by Representative Harold Knutson (Republican) of Minnesota is supported by Representative Joseph W. Martin, Jr. (Republican) of Massachusetts, who on Nov. 12 was reported as saying that individual income taxes should be cut 20% "across the board." Reporting this on Nov. 12 from its Washington bureau, the New York "Journal of Commerce" said in part:

Slated to be the next Speaker of the House, Mr. Martin said that taxes would be one of the first problems the new Congress would tackle.

"I think we can cut 20% off. We ought to be able to do it this next year," he said in response to a question.

So that taxpayers will know where they stand in 1947, the new Congress should first pass a quick bill making the 20% cut in individual income taxes and should then undertake a "scientific revision" of the entire tax structure, Mr. Martin stated.

The proposed 20% cut, however, has nothing to do with corporate taxes or excise taxes which he did not discuss.

The way to cut taxes is to cut down expenditures of the executive agencies, the former minority leader said. Asked whether this included cuts for the Army and Navy, Mr. Martin said that he did not know and that "I haven't any definite mark yet."

Prior to the new session which starts Jan. 3 the Republican steering committee will appoint a number of "study" committees which will discuss the Republican program for the next Congress and which will report to Mr. Martin and then to the various standing committees which are concerned with the subjects under study.

"The whole purpose of this is to do the preliminary spadework so that we can start some six weeks earlier than otherwise," he explained.

It may be noted here that Secretary of the Treasury Snyder on Nov. 14, indicated his opposition to a general reduction in taxes in a time of prosperity. Advices from Boston in the "Wall Street Journal" of Nov. 15 from its Boston Bureau, quoted Mr. Synder as follows:

"I do, however, favor a reduction in expenses," he told a press conference. "That does not mean that we should not give careful attention to tax inequities. Nor does it mean that we should not provide incentives for stimulation of enterprise. But that can be done without any general reduction in taxes."

Mr. Synder was in Boston to confer with local Treasury officials and to make an off-the-record talk to directors of the Federal Reserve Bank of Boston.

The Treasury Secretary, asked to comment on a statement made earlier this week by Rep. Joseph Martin that individual income taxes should be cut 20%, said:

"I don't think that in this, a time of prosperity, we should start with any general reduction of taxes. We have got to pay off our debt of $262 billion when times are prosperous, if we are ever going to pay it. I certainly believe in very strong reductions in national expenditures, but we must have an excess of revenues for balancing the budget and to apply on the national debt."

Rep. Knutson, who is slated to be in charge of tax legislation as Chairman of the House Ways and Means Committee, made known on Nov. 6 his plans to offer a bill for a 20% reduction in individual income taxes for the calendar year 1947, and later (on Nov. 9) was quoted as saying:

"Republicans contend that tax laws should be enacted for the primary purpose of raising revenue. For two years, at least, we will outlaw the New Deal policy of taxes for punitive reasons and taxes to force social changes." His further views were indicated as follows in Chicago advices Nov. 9 to the New York "Times":

Mr. Knutson said the 20% cut would be retroactive to next Jan. 1 so that the reductions would apply to all 1947 incomes. The first Republican tax bill, he predicted, would be a "quickie," to be passed by March or April.

The bill which he plans to introduce Jan. 5, when the new Congress convenes, will not disturb existing rates, but will provide that after individual rates are computed only 80% need be paid.

Thus, on a tax bill of $100, the taxpayer would pay only $80. Mr. Knutson said a second tax bill then would be taken up. His ideas are that it should give tax relief by dropping many of the Federal excise or "nuisance" taxes now being levied.

"In hearings on the general tax bill we will take up consideration of a number of reforms long overdue," Mr. Knutson said. "We must do something to simplify the involved tax return blanks. And there has been needless prying into the affairs of our people. Complaints of other evils also will be considered."

Under the seniority system, Mr. Knutson will take over the chairmanship of the Ways and Means Committee, which originates all tax legislation. His program, already fully developed, was explained in an interview before he left by train for Washington.

"One of our most important tasks is to get the country into such shape that any recession would be of the shortest possible duration, with the least possible repercussions," he said. "To do that, we must integrate taxing and spending, which heretofore have borne little or no relationship to each other.

"The new general tax bill should give greatest possible incentive to investment of venture capital in new enterprises and expansion of existing enterprises, with the view of creating the greatest possible employment as well as additional markets for raw materials."

Mr. Knutson said that present taxes were expected to yield $41,500,000,000 during the 1947 fiscal year. Representative John Taber of New York, who will be House Appropriations Committee chairman, has promised to cut government expenditures to or below $32,000,000,000.

Rayon Production in Third Quarter Up

Third quarter rayon production, totaling 213,500,000 pounds, has exceeded production of the corresponding period of 1945 by 10%, and set a new record for the industry, according to the compilation made by the textile Economics Bureau, Inc., in its November issue of the "Rayon Organon." Production for the first nine months of 1946, totaling 638,500,000 pounds, also was a new high figure, exceeding the output in similar periods in 1945 and 1944 by 8½ and 19½% respectively.

The Bureau's announcement made available Nov. 9, continued:

October total rayon shipments amounted to 72,200,000 pounds, an increase of 6% over September. Rayon filament yarn shipments in October were as follows: viscose +cupra 42,000,000 pounds and acetate 15,400,000 pounds. Domestic rayon staple shipments in October aggregated 14,800,000 pounds. Total rayon filament yarn stocks in producers' hands at the end of October amounted to 9,000,000 pounds, while rayon staple stocks were 2,600,000 pounds.

Rayon filament yarn (all processes) produced in the third quarter amounted to 167,300,000 pounds, a figure slightly above the second quarter, but 1.1% below the record level established in the first quarter. However, viscose+cupra yarn production in the third quarter hit a new high of 123,500,000 pounds, to exceed the previous record by 1% and the third quarter of last year by 13%.

Due to a three months' strike at one acetate yarn plant, finally settled in October, third quarter acetate yarn production totaling 43,800,000 pounds was at the lowest level since the third quarter of 1945 and 8% below the peak output in the second quarter of 1946.

The production of rayon staple in the July-September period reached a new record total of 46,200,000 pounds, which exceeded the previous record by 2% and third quarter 1945 output by 12½%. The new over-all record is attributed to the increase in the output of viscose process staple, which amounted to 35,300,000 pounds or 3.5% over second quarter output. On the other hand, acetate staple production in the third quarter was slightly below the second quarter peak level. Viscose staple production in the third quarter accounted for 76½% of the total output, the balance of 23½% being acetate staple.

Domestic shipments of rayon filament yarn during the third quarter fell off slightly from the second quarter level. Deliveries amounting to 163,500,000 pounds were 1.1% below those of the preceding quarter but 11.2% over the third quarter of 1945.

Shipments of both textile-type and tire-type yarns in the third quarter were 1% under respective second quarter shipments. But for the first nine months of the year, shipments of textile type yarns were 8½ above shipments in the same period last year, while yarn deliveries to tire manufacturers in the same period were 15½% over those a year ago.

Compared with the April-June period, third quarter distribution of total yarn shipments to the principal consuming trades showed the following percentage changes: full-fashioned hosiery —10.3%; circular knitting +2.7%; narrow weaving +2.5%; broad weaving —1.1%; warp knitting —6%; and tire manufacturers —1.1%. There were no changes in shipments to seamless hosiery and miscellaneous uses.

Exports of rayon yarn by producers during the third quarter totaled 2,600,000 pounds, a decrease of 21% under the previous quarter. Exports for the first nine months of 1946 were 47% under the corresponding period last year. Of the total nine months' yarn exports, 23% comprised tire-type yarns, against 35% in the same period last year.

In the third quarter, production of viscose+cupra textile-type yarn showed an increase as well as viscose tire-type yarns. The total of 68,300,000 pounds of viscose+cupra textile-type yarn represented a 4.1% increase over the preceding quarter. Viscose tire-type yarns at 55,200,000 pounds showed a 2.8% increase. The output of textile-type yarns in the third quarter accounted for 55% of the total viscose+cupra yarn production, the remaining 45% being tire-type yarns.

Average denier of viscose+cupra yarn spun during the third quarter was 219 denier and was unchanged from the preceding three months period. Average denier of acetate yarn production during the third quarter declined slightly below the second quarter, the averages being 95 and 97 respectively.

The State of Trade

Price and wage controls so long a stumbling block to normal peacetime production were for the most part abandoned on Nov. 9, last, and such controls as still remain are presently limited to rents and rice and sugar, which as Mr. Truman stated, are necessary to implement the rationing and allocation programs of these commodities.

With the ending of the war industry's attempt at reconversion was frustrated to a great extent by OPA which through its regulations and restrictions made for an ever-increasing distortion of prices in an economy which in recent months was half-free and half-regulated. In the passing of such bureaucratic control business and industry has been given the freedom to make readjustments which will permit of a natural expansion of output in many fields.

This readjustment can be accomplished with a minimum of inconvenience to all providing whole-hearted cooperation is forthcoming, and, as William K. Jackson, President of the National Chamber of Commerce stated in his remarks on the ending of price and wage controls, the "time has come for government, management and labor leadership to cooperate to make the enterprise system function effectively."

The principal threat to increased production and employment are strikes called or contemplated to force the payment of wage boosts to overcome higher living costs engendered by similar demands met last winter.

At the moment, John L. Lewis, head of the United Mine Workers Union and his 400,000 soft-coal miners have placed themselves in this unenviable position. Mr. Lewis on Friday of last week rejected a personal appeal from the President and ordered the walkout effective at midnight on Wednesday of this week. Following this action, J. A. Krug, Secretary of Interior and Solid Fuels Administrator, on Saturday signed three orders and the Interstate Commerce Commission another. The orders applied to operators of all bituminous mines, to shippers and forwarders of coal to Great Lakes and tidewater ports and to retail dealers and tidewater commercial dock operators. They were designed to insure that hospitals, utilities and food processing plants have adequate supplies. The Interstate Commerce Commission order duplicated the Solid Fuels Administration order in its application to railroads.

On Monday the government applied greater pressure on Mr. Lewis and his striking miners by having the United States District Court for the District of Columbia issue a restraining order to call off his scheduled nation-wide strike or face a possible jail sentence for contempt of court. The foregoing legal action was resorted to by the government to curtail the tremendous economic power Lewis wields in his position as leader of the soft coal miners. By Tuesday of this week 272 government-operated soft coal mines employing 72,828 men were idle because of the current contract dispute and an estimated loss in production of coal amounted to 463,487 tons compared with 170,000 tons the day before due to idleness, according to the Solid Fuels Administration. At 11:59 p.m., on Sunday next, a 25% reduction in railroad passenger service performed by coal-burning locomotives will become effective by order of The Office of Defense Transportation.

For the past week overall industrial production held close to the high levels of recent weeks and employment and payrolls remained high. Such business barometers as steel ingot output, electric kilowatt production, bituminous coal production and daily average crude oil output all showed advances for the week, while paper production and freight car loadings reflected declines. The spectre of a coal strike hung like a pall over the steel industry both last week and the current week, but according to "The Iron Age," "there were more adherents to the opinion that this crisis might be passed without a sharp drop in steel production."

The production of automobile replacement parts reached an all-time high last week with manufacturers' shipments about double the 1941 level. Output of cars and trucks in the United States and Canada was estimated at 94,640 units, the second highest total since the war ended, Wards Automotive Reports state.

Retail volume increased slightly during the week as brisk week-end buying by many shoppers continued through Armistice Day. The supply of durable goods rose and attracted a large share of consumer attention. Promotions and mark-down sales of women's apparel were received with moderate enthusiasm and interest in men's wear remained high. The over-all supply of food was plentiful and volume rose appreciably.

Wholesale volume, up slightly from that of a week ago, was estimated last week to be about 20% above that of the corresponding week a year ago. Spring apparel shows opened in many cities and attracted a large number of buyers, though buying was cautious and selective. The over-all improvement in deliveries was particularly noticeable in many durable goods lines and new order volume generally was at a high level.

Steel Industry—Price increases made effective early last week in the metalworking industry, following the elimination of price controls, were tempered with the thought of possible runaway markets which in turn would create a buyers' resistance strong enough to start a business recession, according to "The Iron Age," national metalworking paper.

No leading steel producer last week made any changes whatsoever in the prices of steel products and no general across-the-board advance is looked for at least until Philip Murray's United Steelworkers Union makes known its wage demands. However, the magazine states, at least one leading steel producer may within the next few weeks or more make a price adjustment for those steel products on which it claims a loss or a low return. Because steel companies normally announce steel prices on a quarterly basis a few weeks or a month before the beginning of a quarter, it is expected that an announcement on higher prices for some steel products will be made around the first of December or shortly thereafter.

Steelmakers were already faced with increased costs the past week, "The Iron Age" observes, when the price of iron and steel scrap reacted to the elimination of controls by moving upward. In some major centers the net increase in important openhearth grades of scrap advanced $2.50 a ton. While some scrap was coming out at the new quotations, dealers were in no hurry to fill the orders. It may be at least a week or two before the entire scrap list is clarified and before normal relationships existing between various grades of scrap in prewar periods are reestablished, the magazine notes.

The nonferrous market moved

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As We See It

(Continued from first page)

opinions of their membership. Union officials and politicians have vied with one another for years in building up "respect" for picket lines and in putting any "strikebreaker" in the category of human "rats." One of the results is that men walk out en masse when they have no desire to do so and when their own better judgments dictate a different course of action, and remain out so long as their "leaders" direct them to do so. Picket lines take orders not from the rank and file but from the "leaders." It is our judgment, as it is the judgment of the vast majority of business leaders, we are certain, that both labor leaders and labor unions would serve their own ends far better during the next year by forgetting about sweeping demands for higher wages or other "benefits" which come down to the same thing, and concentrate their attention upon effective and efficient production in order that the purchasing power of existing wage rates may rise.

But neither what we think, or what the vast majority of dispassionate observers believe, is likely to govern the action of the union authorities who have their own motives and reasons for their behavior. It is quite possible that the next few months will witness an aggressive campaign for higher wages and all the rest. Would the individual business man or the individual business enterprise find itself wholly helpless in such a situation? Would they be obliged to yield whatever it is that the labor leaders really are prepared to insist upon? Individually and alone, they doubtless would often find themselves in precisely such an unenviable position. It would, however, be a truly terrible state of affairs if this were always true, and if this were the whole story.

Have We Had Enough?

But we do not believe that this is the whole story. The union leaders have elevated themselves to this position of dictatorship with the aid of Federal legislation. Here is a situation which should be corrected with whatever dispatch is consistent with careful, dispassionate statesmanship. It is doubtful, however, if it could be corrected wisely and constructively by legislation hastily drawn or maneuvered through Congress without time for full consideration—which means, of course, that such a course can scarcely be counted upon (except perhaps as a threat over the heads of overly ambitious labor leaders) as a main reliance in any general conflict precipitated during the next few months. That it could not be so relied upon is, however, not so disheartening as it might appear on the surface to be.

The basic difficulty is elsewhere. It is to be found in the attitude heretofore prevailing among the vast masses of the people, who actively supported, were largely in sympathy with, or were apathetic toward most if not all that the labor unions and their leaders were doing. The almost incredible growth in this popular attitude is one of the burdens that the New Deal philosophers laid upon the American people. This strange sort of moon-blindness made possible, not to say inevitable, the mass of unfortunate labor legislation, chiefly Federal but also state and local, which now rises to plague us. It makes possible the mass picket lines and their effectiveness.

Whether or not business generally would be obliged rather weakly to yield to union pressure within the next few months depends, therefore, largely upon the degree in which the scales have fallen from the eyes of the general public in this country. It is now clear that most people have had quite enough of governmentally engineered shortages, various controls and much else in the current scene. It remains to be seen whether the same revolution really has occurred in regard to the behavior of the labor leaders and the inevitable results thereof. If such a change has in fact occurred, local laws henceforth will be enforced against labor unions and their bullying pickets the same as against all other citizens in the community. When that happens, the task of making many of these strikes effective will be vastly greater than it is now.

Fully as important is the fact that, in such an event, it will henceforth be no disgrace to cross picket lines. Of course, it never was any cause for disgrace, but influential popular leaders had managed to make great masses of our people suppose that such was the case. With the public generally feeling quite at liberty to cross a picket line whenever it desires, when a man without shame or danger may return to work (or not leave it) when in his judgment there should be no strike, and when the public does not prejudge any labor dispute in labor's favor—when these things come to pass, we shall be much less at the mercy of John L. Lewis and the many others of his turn of mind than has been the case for some years past.

The big question of the day is: Have these things yet come to pass?

Consumers' Prices Rose 1.2% Between August and September 15, Labor Department Reports

Retail prices to moderate-income city families advanced 1.2% between Aug. 15 and Sept. 15, according to the Bureau of Labor Statistics of the U. S. Department of Labor. Higher prices for food, clothing, and housefurnishings were primarily responsible for this increase, but all major groups contributed to the rise. On Sept. 15, 1946 the consumers' price index was 145.9% of the 1935-39 average, and 48% above the level of prices at the beginning of the war in August 1939, the report added:

Consumers' prices in mid-September were 13.2% higher than a year ago. Prices of living essentials advanced 1.0% between September 1945 and March 1946, 2.4% between March and June 1946, and 9.5% from June 15 to Sept. 15, 1946.

The family food bill for all foods except meats increased 2.2% on the average between mid-August and mid-September. It was impossible in mid-September to obtain sufficient quotations to compute a reliable measure of change in retail meat prices because of the severe shortage of all meats except lamb (in a few cities) and poultry and fish. In order to meet the great demands for overall price indexes for September, August prices for beef, veal, and pork were used in computing the indexes*. On this basis, the average advance in retail food prices in large cities was estimated at 1.7% between mid-August and mid-September. The retail food price index would have dropped 5% if consumers had been able to buy beef, veal, lamb, and pork at the OPA ceilings established on Sept. 10. If this had happened, the total consumer's price index would have declined about 1½% instead of advancing 1.2%.

Between mid-August and mid-September beverage prices rose 28%, reflecting adjustments to new OPA ceiling prices for coffee. Egg prices advanced 11%, and canned fruits and vegetables average 6% higher as new packs of pineapple and tomatoes at higher ceilings became available. Fresh fruit and vegetable prices dropped further by 2.5% after having fallen 8% between mid-July and mid-August. Prices of fats and oils declined 16% after the restoration of ceilings by the Decontrol Board in early September.

Clothing prices advanced 2.9% during the month—the largest monthly increase since early 1942. Higher prices were reported for nearly all clothing and shoes, with cotton garments including work clothing, shorts, and business shirts advancing sharply. In many cities men's overcoats and heavy knit underwear, and women's coats and other wool clothing retailed at generally higher levels as fall lines came into stores.

Fuel, electricity and ice costs increased 0.7% on the average as higher prices for anthracite and bituminous coal offset a reduction in the average cost of electricity to consumers in Kansas City.

The rent index rose 0.1% between Aug. 15 and Sept. 15. Residential rents in the 18 cities surveyed in September were 0.1% higher than in June.

Housefurnishings prices advanced 2.5% over the month as prices for cook stoves, living room and bedroom sets, and sheets and towels increased. Miscellaneous goods and services costs rose 0.6% because of higher prices for household cleaning supplies, gasoline, and some medical services.

Automobiles and a number of household durable goods which had been eliminated from the index during the war, such as sewing and washing machines, refrigerators and vacuum cleaners, were reintroduced into the index in September. These reintroductions and the return of gasoline and motor oil to their full prewar consumption patterns have caused the September indexes for the house-furnishings and miscellaneous groups to be 3.5 and 0.1% higher than the August indexes.

*This is the same type of procedure used during May and June when the meat shortage was also severe. August meat prices will be used in the index again in October if an adequate number of price quotations were not obtained between Oct. 14 and Oct. 18. If supplies are large enough to provide an adequate sample of prices in November, the November index will reflect the over-all change that has occurred in the price of meat between mid-August and mid-November. There are no figures to describe what happened to retail meat prices in the intervening period.

Aldrich to Attend Council Meeting of International Chamber

Winthrop W. Aldrich, Chairman of the Chase National Bank of New York and President of the International Chamber of Commerce, who sailed on the Queen Elizabeth on Nov. 13 for the meeting of Council of the International Chamber, stated that one of the principal questions to be dealt with at the meeting will be the development of a program to make effective the new relationship between this world-wide organization of business men and the Economic and Social Council of the United Nations.

W. W. Aldrich

The International Chamber meeting will be held in Paris, December 3 and 4. It will be preceded by a series of committee meetings at which reports on pressing economic transportation, financial and related international problems will be put into final form for the Council's consideration.

"This session of the Council of the International Chamber will in my opinion be one of the most important meetings in the history of international business groups," Mr. Aldrich said. "Business opinion throughout the world is firmly determined to do all it can to promote the success of the United Nations and of the Economic and Social Council and its affiliated organizations." Mr. Aldrich also said in part:

"That can be accomplished more readily if all will approach this international movement in a spirit of constructive assistance and with the conviction that if offers the best opportunity yet presented for world enlightenment and cooperative action in the cause of peace.

"The Economic and Social Council has awarded a consultative status of the highest category to the International Chamber of Commerce under the provisions of the United Nations Charter. At the Paris meeting we must determine the means by which this new relationship can be implemented and given the greatest practical value to the United Nations.

"It undoubtedly will call for the establishment in New York, and at the permanent site of the United Nations when that is selected, of an office of the International Chamber, which will coordinate its activities with those of the Paris headquarters of the Chamber, and through which the work and research continually being carried on by this organization can be brought to the attention of the members and staff of the Economic and Social Council.

"The official consultative status granted to the International Chamber will extend not only to the commissions and subcommissions of the Economic and Social Council, which cover important fields of international cooperative action, but also to the Specialized Agencies that fall under this broad division of the United Nations. "Among these Specialized Agencies are the International Bank for Reconstruction and Development, the International Monetary Fund, the Food and Agriculture Organization of the United Nations, the International Labor Organization and the Provisional International Civil Aviation Organization. The International Trade Organization will be added when it is established.

"It is our hope that the International Chamber will be able to make contributions of high value to the progress of the Economic and Social Council. Practical assistance already is being extended along several lines. The International Chamber is directing its present efforts toward stimulating production, reestablishing transport, clearing trade barriers and starting the war devastated countries on the road to economic recovery and stability. These are also immediate concerns of the Economic and Social Council.

NYSE Borrowings In October

The New York Stock Exchange announced on Nov. 4, that as of the close of business on Oct. 31, the total of money borrowed from banks and trust companies in the United States amounted to $370,558,761, compared with the figures for Sept. 30 of the $407,324,764. Advices of the Exchange follows:

The total of money borrowed from banks, trust companies and other lenders in the United States, excluding borrowings from other members of national securities exchanges, (1) on direct obligations of or obligations guaranteed as to principal or interest by the United States Government, $159,965,099; and (2) on all other collateral, 210,593,662; reported by New York Stock Exchange Member Firms as of the close of business October 31, 1946 aggregated, $370,558,761

The total of money borrowed, compiled on the same basis, as of the close of business Sept. 30, 1946, was (1) on direct obligations of or obligations guaranteed as to principal or interest by the United States Government, $156,883,102; and (2) on all other collateral $251,041,662; which amounts totaled $407,924,764.

Thorp Promoted

Willard L. Thorp, who has been assistant to William L. Clayton in the State Department, was recently appointed by President Truman to fill the vacancy created by the elevation of Mr. Clayton to Under Secretary of State for Economic Affairs. Mr. Thorp will move into the post of Assistant Secretary of State for Economic Affairs, the Associated Press reported from Washington on Nov. 8. One-time director for the Bureau of Foreign and Domestic Commerce, he served at various times as a member of the Federal Alcohol Control Administration, director of the National Emergency Council consumers' division and Chairman of the National Recovery Administration Advisory Committee.

Review Decisions of U. S. Supreme Court

The United States Supreme Court refused Nov. 12 to rule on a Puerto Rican law, enacted in 1941, which according to its critics permits the Island legislature to employ the power of eminent domain to carry out a program of redistribution of wealth. Reporting this, Washington dispatches of Nov. 12, to the Associated Press, continued:

Eastern Sugar Associates, a Baltimore corporation, owners of 3,070 acres of farm land on the Island of Vieques, asked the Supreme Court to review a decision by the U. S. Circuit Court in Boston. The Circuit Court decided that the Puerto Rican law met the reuirements of the U. S. Constitution.

The Circuit Court decision reversed a ruling by the U. S. District Court in Puerto Rico, which had dismissed land condemnation proceedings against property of Eastern Sugar Associates.

Eastern Sugar Associates, in appealing to the Supreme Court, said the Puerto Rico Government program "has as its declared purpose the complete socialization of the agricultural economy."

The same day the court granted the Ford Motor Company review of a contention that certain automobile financing restraints should be suspended. The controversy arose from government charges that Ford and General Motors had conspired with several finance companies to restrain trade in financing cars. According to the press advices:

General Motors went on trial. But Ford consented to a decree which enjoined practices asserted to have an influence on dealers in the selection of finance companies. The decree also enjoined Ford from purchasing securities of a finance company.

Ford told the Supreme Court that a general verdict of guilty was returned against General Motors. Ford contended, however, that restraints on dealer selection of finance companies were not imposed on General Motors in substantially identical terms with those in the Ford decree. Ford also said no final decree has been entered requiring General Motors to dispose of the General Motors Acceptance Corporation, a car financing concern.

Under terms of the Ford consent decree, Ford contended it was now entitled to lifting of restraints. The company appealed from a decision by the U. S. District Court in Hammond, Ind., which rejected its request.

The court also agreed to review charges brought by Samuel Okin, an owner of 9,000 shares of Electric Bond & Share, that the SEC was without power to regulate that company's subsidiary, American & Foreign Power, since the latter's properties are outside the United States. The Associated Press advices continued:

Okin also protested a Commission order authorizing a refinancing of a $30,000,000 debt owed by Foreign Power to Bond & Share. He said the Commission lacked power to impose conditions postponing payment of renewal notes involved in the refinancing until the status of other creditors was determined.

The U. S. Circuit Court in New York upheld the Commission's action. Justice Douglas, former SEC Chairman, took no part in consideration of Okin's request.

The court also refused to review a Federal Power Commission order requiring Cities Service Gas Co. to reduce its interstates wholesale rates.

The company operates a 4,300-mile natural gas pipeline system extending from production area in Texas, Oklahoma and Kansas to serve a wide area in Northern Oklahoma, Eastern Kansas, Southern Nebraska and Western Missouri.

The Commission in July, 1943, ordered the company to reduce its rates by not less than $4,445,871 below its 1941 operating revenues. The U. S. Circuit Court in Denver upheld the Commission.

The company in asking a Supreme Court review sought to reopen questions involving the inclusion of production and gathering facilities in the rate base and of including expense of production and gathering in the cost of service.

The Supreme Court today agreed to review a Chicago Circuit Court decision which voided National Labor Relations Board orders directing the Keystone Steel and Wire Co. to cease asserted unfair labor practices.

The board held that one company labor organization had "grown out of" a prior company-dominated organization, "without any break in continuity." It ordered the firm to withdraw recognition from the latest organization and to refrain from recognizing the earlier organization if it returned to active existence.

The company was accused of denying to the CIO United Farm Equipment and Metal Workers the same organizing privileges it had given to other groups. The Circuit Court threw out the board's orders on the ground they were not supported by substantial evidence.

The court also agreed to determine whether a government employee fired because of asserted "unsatisfactory services" is entitled to salary after the day of his dismissal.

Territorial Air Bases To Commerce Dept.

By order of President Truman all non-essential military airports outside the Continental United States are to be transferred by the Army and Navy to the Commerce Department, which is to be responsible for administration and maintenance. Provision is made, however, for retaking of the fields by the War and Navy Departments in the event of military necessity. Although no list of airports affected was not available when the order was announced on Nov. 7, advices from Washington to the New York "Herald Tribune" stated that officials had indicated that the new ruling would apply to bases in Alaska, Panama, Puerto Rico, Hawaii and some Pacific islands. Mr. Truman's Executive order did not include United States air facilities constructed by military forces in foreign territory, such as Africa, Italy and Germany.

Some military air officers are said to have expressed reluctance to part with the bases according to the "Herald Tribune" Washington advices. The Commerce Department has indicated its intention, after it has received notification of which airports are to be relinquished and when, of determing "which of these will be necessary for use by the United States and world civic aviation and can best be utilized for the promotion of world air commerce."

Life Insur. Inst. to Meet in N. Y.

The annual meeting of the Institute of Life Insurance will be held Wednesday, December 11 at the Waldorf-Astoria Hotel in New York City. The date has been selected to fit into the schedule of life insurance meetings to be held in the city during the week, which regularly attract company executives from all parts of the country and Canada.

US Treaty with China

A treaty of "friendship, commerce and navigation" was signed at Nanking on Nov. 4 by the United States and China, Associated Press Washington advices stated, adding that State Department officials had laid emphasis on the fact that the agreement has no significance as a move by this country to strengthen the National Government of China in its struggle with the Communist forces. The Associated Press said:

Described by the State Department as "the first post-war comprehensive commercial treaty to be signed by either Government," the 10,000-word document supersedes nine previous pacts, including one drafted in 1844. The press accounts likewise stated:

It will become effective only after ratification by the American Senate and Chinese Legislature.

Among the provisions of the treaty, according to the Associated Press, are the following.

Citizens, business firms and associations of one country can "reside, travel and carry on trade" in all parts of the other country.

They can operate "commercial, manufacturing, processing, scientific, educational, religious and philanthropic activities" within the limits of the laws of the other nation. They can buy or lease buildings and lands for these purposes.

Americans can organize and participate in corporations with Chinese in China. Chinese can do likewise in this country. If the United States grants certain special rights here to any third country it must grant equal rights to China. Under the same circumstances, China must do the same.

In an amendment to this provision, however, the United States reserves the right to grant special treatment in trade to Cuba and the Philippines which China cannot claim. One country is obligated to grant to the other the same rights to explore for minerals and develop them that it gives to any third nation. No specific minerals are listed.

Merchant ships of each country have "freedom of commerce and navigation" in the territorial waters and ports of the other.

The treaty makes plain that it does not modify this country's immigration laws, which sharply restrict the number of Chinese immigrants.

Government "Plans" Sugar Scarcity, GOP Group Says

In a statement accusing the government of "planning" the shortage of sugar, Chairman Thomas A. Jenkins (R.-Ohio) of the Republican Congressional Food Study Committee demanded the termination of the government's policy, declaring that consumers and the incoming Republican Congress would not tolerate its continuance, and citing what he called "self-evident facts" disproving a real scarcity. Representative Jenkins said that his committee had found that areas on which the United States depends for supplies produced more sugar in 1946 than in any other recent year, Associated Press Washington advices of Nov. 14 stated. At the same time, the committee's statement continued, American consumers received 500,000 tons less than during the corresponding period of 1945, and refined sugar exports from the United States are twice as large as last year, while exports of American-owned sugar from Cuba are 168% of the 1945 level.

Steel Output Continues to Increase—Scrap Price Up—Coal Stoppages Affect Operations

A prolonged tieup of the nation's coal mines would produce one of the most serious impacts on the steel industry in recent years and undo a substantial part of the progress made towards the establishment of a normal steel market, according to "The Iron Age," national metalworking paper. "Having had its first chance in the past few months to step up steel output to unprecedented peacetime levels and thus greatly reduce the tremendous unfilled demand from customers, it appears this week that the industry is about to be plunged into the period of hectic hit-and-miss production schedules and shortages which followed the steel and coal strikes earlier this year," continues the "Iron Age," which further states in its issue of today (Nov. 21) as follows:

"Unless the coal crisis is passed quickly and a settlement reached there is the bitter possibility that the steel operating rate will not only sag to a much lower level, but will not regain current levels for two or three months, if then. The unusually high rate of activity has prevented steel firms from building up coal inventories which are now at an exceedingly low point. Complete stoppage of work at the mine pits may within one week reduce the operating rate by 10 points to around 80% of capacity.

"Should the coal impasse with its fundamental issues run into a long period, the industry within a few weeks' time may find its ingot rate down around 65% or 70%. After that the rate would sag much lower. These severe setbacks would be brought about because of the necessity for banking blast furnaces which have been the main support for the currently high steel activity.

"Far more important and apt to be overlooked is the fact that, if the coal strike should last through December, many blast furnace operators might be forced to keep their units out of operation until the outcome of wage negotiations with the United Steel Workers of America is definitely known.

"While the steel industry again faces the prospect of lower operations and maldistribution of its products because of labor difficulties, it was pausing this week to explore on its metallurgical front the possibility of a history-making advance in steel production through the use of oxygen in blast furnaces and openhearths.

"The process is currently being tested at several steel-company plants in this country and the use of oxygen in some openhearth furnaces on a test basis has increased output as much as 40% to 50% an hour. While there are many difficulties to overcome, such as new-type burners and a reduction in the cost of oxygen, high hopes are held that this rejuvenated approach to modern steelmaking may be a lifesaver to the industry over the next several years of high materials and labor costs.

"Although major steel companies last week had still made no move toward increasing steel prices generally, steel consumers were taking some statements of steel officials with a grain of salt. According to steel consumer reaction, steel users fully expect higher steel prices if coal and steel wages are hiked.

"Many small nonintegrated steel companies last week advanced their steel quotations, some by raising base prices and some by adjusting steel extras which resulted in an over-all price increase. In practically all instances these increases were those which OPA had approved before steel price ceilings were removed but which had not been announced under OPA.

" 'The Iron Age' scrap composite price advanced 33 cents a ton this week to $24.75 a ton.

"To many scrap consumers the current prices are not a bar to the purchase of as much scrap as possible in order to build up depleted scrap stocks. Furthermore, some of today's current quotations are more realistic than those under OPA control and do not necessarily reflect as great an increase as statistics indicate when such factors as grades and quality are taken into consideration."

The American Iron and Steel Institute this week announced that telegraphic reports which it had received indicated that the operating rate of steel companies having 94% of the steel capacity of the industry will be 91.4% of capacity for the week beginning Nov. 18 (highest level reached since June, 1945, for the third consecutive week). This compares with 91.2% one week ago, 90.3% one month ago and 82.4% one year ago. The operating rate for the week beginning Nov. 18 is equivalent to 1,610,800 tons of steel ingots and castings, compared to 1,607,300 tons one week ago, 1,591,400 tons one month ago, and 1,509,300 tons one year ago. Some revisions may be necessary later this week should the coal miners quit at midnight on Nov. 20.

"Steel" of Cleveland, in its summary of latest news developments in the metalworking industry, on Nov. 18 stated in part as follows: "Advances in iron and steel scrap and major nonferrous metal prices featured the first week of decontrol. Finished steel prices held unchanged but increases on certain products, which have been regarded as underpriced for a long time, may be announced soon. This action will be selective, at least that is the present prospect.

"What the more distant future holds will depend largely upon the trend in labor costs and in prices of raw materials, notably coal, scrap and pig iron. Hence, the outcome of the soft coal negotiations is being watched with special interest.

"Scrap is buoyant, but it is still too early to gage the full extent of the advance. To date, melting steel has advanced in leading consuming districts $5 a ton above the OPA levels prevailing at time of decontrol. Although in practical effect, the increase amounts to about $2.50 a ton because of the upgrading which had prevailed. Cast grades advanced irregularly with rises of $15 a ton or more reported in some instances.

"With winter approaching and with consumers' inventories small, strength in scrap should continue through to spring, but how high prices will go before they begin to level off and how soon they will begin to become stabilized remains uncertain.

"Scrap sellers at present are reluctant to commit themselves on much tonnage because of the possibility of still higher prices. Meanwhile, collectors are being stimulated into action by higher prices, but it will require time for them to accumulate tonnages, especially in the face of winter weather. That price incentive could not have come sooner, say last summer when the matter was such an issue, is generally regretted by the trade.

"There is little prospect of a change in pig iron prices until the coal miners negotiations are settled, if then. In fact there may be no revision as long as the present premium payment plan, designed primarily to assist the housing program, prevails. However, once premiums come to an end under the present government financing, and should there be an increase in fuel costs, which appears probable, then an overall revision of pig iron schedules would seem likely."

Robert E. Healy, SEC Commissioner, Dies

Last of original members of SEC passes away at home at Germantown, Pa. Reappointed by President Roosevelt three times.

Robert E. Healy, member of the Securities and Exchange Commission, the only Commissioner of the original Commission appointed by the late President Roosevelt, died on Nov. 17 at Germantown, Pa. He was 63.

Robert E. Healy

Judge Healy, who was from Bennington, Vt., studied law in the law office of Orion M. Barber and was admitted to the Vermont State bar in 1904.

After serving as a judge in Vermont, Mr. Healy was made chief counsel for the Federal Trade Commission in 1928 and had an active part in the administration of the Federal Trade Commission Act, the Clayton Act, the Webb Pomerene Act and the Securities Act during 1933 when it was administered by the Federal Trade Commission.

He was appointed to the Securities and Exchange Commission in 1934, reappointed three times thereafter. He served on the National Power Policy Committee, by appointment by President Roosevelt, and was chairman of a subcommittee which proposed a bill to regulate holding companies.

Construction Volume for 1947 Estimated

Construction volume in the 37 states east of the Rocky Mountains will increase approximately 25% over that of this year, it was estimated on Nov. 13 by Thomas S. Holden, President of F. W. Dodge Corporation, a fact-finding organization for the construction industry.

The Dodge executive indicated that 630,000 dwelling units would be built in the states east of the Rockies next year, a gain of 35% in number and 38% in dollar volume over the expected 1946 record. The residential estimates assume, he said, that the present system of priorities and allocations of materials will be out next year.

An anticipated gain of 7% in nonresidential construction, such as commercial, industrial and educational building, and 22% in public works and utilities during the coming year, added to the increased residential volume, would bring the total of all construction in the 37 states to slightly more than $9,500,000,000 against $7,700,000,000 expected this year.

"In the present situation, the general economic conditions surrounding construction activity and the types of stresses and strains likely to prevail within the industry are even more important for appraising the outlook for the coming year than are attempted measures of construction demand," Mr. Holden said.

"Construction activity will not necessarily participate in the expected recession of general business. Odds are that it will not, but will continue on an increasing scale without serious setback. If this turns out to be true, construction may be the principal sustaining activity tending to moderate the impact of price recession on the general business structure," the Dodge executive declared.

"The recent removal of material price controls will stimulate increased production of many scarce items," Mr. Holden said. "It will probably result in numerous price increases over present ceilings, but to levels lower than black market prices. Materials in approximately balanced supply will stabilize quickly. The few items that may show marked price increases will not necessarily count heavily in total construction costs.

"Construction costs will rise somewhat above recent OPA theoretical levels indicated by published index numbers, but will be measurably less than actual costs. Elimination of the numerous abnormal costs engendered by controls will give the industry considerable leeway in adjusting itself to free market conditions.

"Most construction materials will progress from sellers' markets into buyers' markets during the course of next year, and material supply will cease to be the major bottleneck. The major bottleneck will be shortage of skilled labor. While apprentice training has been stepped up, and many building trades unions have recruited new members, recruitment has not kept pace with needs in a number of important trades.

"While the prospect of general business recession has prompted talk of Federal stimulation of public works, there is serious question as to whether such a course would be necessary or desirable. Odds favor continuation of effective private construction demand on such a scale as to make greatly enlarged public works programs unduly competitive for materials and labor in the 1947 market," Mr. Holden declared.

"Residential building is estimated to increase 38% in dollar volume over the final 1946 total. This estimate assumes an approximately uncontrolled market during most of 1947. The large estimated increase in apartments and hotels is predicated on the assumption that new construction will be completely exempted from rent ceilings. Rent ceilings have been and continue to be the principal deterrents to apartment building. It has been conclusively shown that increased supply of rental housing is the most urgent need in the whole housing shortage situation, both as it affects veterans and non-veterans."

Ball Wants Early Labor Legislation

Senator Ball (R.-Minn.), in news conferences since the recent victory at the polls for Republicans, has stated his conviction that the Wagner Labor Relations Act should undergo drastic revisions when the new Congress convenes, according to Associated Press advices from Washington on Nov. 9 and 12. The Senator, who will rank high on the new Education and Labor Committee, has pledged himself to seek an amendment prohibiting making union membership a condition of employment. "I think the closed shop is the most reactionary and illiberal thing we've got in our industrial picture," he said. "There is no real justification for it any more."

Mr. Ball also told reporters that he would like to see an attempt made early in the session to legislate prohibitions against secondary boycotts, regulation of union welfare funds and provisions making unions subject to suit for violation of collective bargaining contracts. Urging outright junking of the National Labor Relations Board, he said that the sooner Congress writes "a statute to permit any one whose rights are affected to go into court directly, the better off we'll be."

Construction Activity In Sept. Drops

Construction activity began to level off in September after climbing steadily since the end of the war, according to preliminary estimates of the Bureau of Labor Statistics, U. S. Department of Labor. "Both employment (2,307,000 workers) and expenditures for work put in place ($1,243 million) were slightly below August levels, and activity on most types of projects either remained the same or declined slightly. August represented the peak of activity for the postwar period to date," said the Labor Department on Oct. 24, its advices also stating:

"This slackening of construction work is not unusual for this season of the year, especially when a high level of activity has been reached. However, material shortages and cost uncertainties probably were retarding influences preventing still further expansion at the present time.

"Construction and repair of private nonfarm homes slackened somewhat from the August high, with employment in September at 720,000 workers and expenditures at $395 million. Although employment was about 65,000 under the figure for the comparable month in 1941 (the best homebuilding year since the '20's), it was almost four times greater than in September a year ago.

"Private nonresidential building activity in nonfarm areas also remained practically unchanged from August. As shown by expenditure figures, commercial building declined ($11 million) for the second consecutive month in 1946. Offsetting gains in industrial and other types of building, on the other hand, brought to $411 million the amount spent by private builders on nonresidential building as a whole. Employment on this type of construction (795,000) was about the same in August.

"By the end of September, $8.5 billion had been spent for construction (including minor building repairs) during 1946. This was more than double expenditures in the first nine months of 1945. The dollar volume of private work put in place in the first three quarters of this year amounted to $7.1 billion against $2.4 billion for the corresponding months of last year. Expenditures for publicly financed construction were almost the same in the two periods—$1.4 billion in 1946 and $1.6 billion in 1945."

Further Loans Sought From World Bank

The Government of Iran has applied to the World Bank for a $250,000,000 loan, according to advices from the Associated Press in Washington on Oct. 30, which added that the Netherlands had also notified the Bank of an intent to apply for a $500,000,000 loan. Iran is reported to have requested that the $250,000,000 be made available for expenditure during a period of five to seven years in connection with a development and reconstruction program designed to improve the standard of living and "the health and welfare of the people of Iran."

Thus far the Bank has made no loans, but seven nations have now applied for or indicated an intention to apply for loans from the bank which will total approximately $2,290,000,000. The 42 member countries have pledged the Bank subscriptions of more than $8,000,000,000, but it is reported that less than $400,000,000 has thus far been paid. However, it is expected that the total will be brought to $767,000,000 next month by further payments already called for.

U. S. Debt, Public and Private Over 400 Billion

The total net debt in the United States, public and private amounted to $400.5 billion at the end of 1945, an increase of $35.4 billion from 1944, the Department of Commerce said in an announcement issued by them on Sept. 25.

This compares with a record increase of $62 billion in the total debt in 1944, the last year of full-scale war expenditures, the report of the Department went on.

Although the war-time rate of increase in the Federal Government debt was considerably reduced during 1945, the Federal debt in the year the war was brought to a successful conclusion increased $42 billion. This increase was partially offset by debt reductions in other spheres, notably a decline of $8.8 billion in corporate short-term debt, largely made possible by decreased Federal income tax liabilities. Short-term corporate debt totaled $46.5 billion at the year's end.

Other declines were in state and local government debt, down $349 million to a total of $13.7 billion at the year's end; long-term corporate debt, down $950 million to a total of $39.3 billion; and farm mortgages, down $190 million to a $5.1 billion total, the lowest level since 1915.

The Federal Government debt, however, was not the only debt to increase during 1945. There were notable increases in noncorporate urban mortgage debt, up $162 million; short-term commercial and financial debt, up $2,541 million; and short-term consumer debt, up $957 million. Noncorporate urban mortgages totaled $27.3 billion at the end of the year; short-term commercial and financial noncorporate debt $14.7 billion; and short-term consumer debt $6.7 billion.

In reviewing the changing pattern of public and private debt during the war period, from 1941 to the end of 1945, the Department of Commerce said that the total net debt advanced from $202.4 billion to $400.5 billion. During these years the gross national product or expenditure rose from $120 billion to $199 billion.

During this period (1941-1945), Federal Government net debt increased more than five-fold, noncorporate short-term commercial and financial loans increased nearly one and one-half times, and corporate short-term debt increased moderately. Other classes of debt contracted in varying degrees: urban noncorporate mortgage, 5%; corporate long-term, 10%; state and local government, 16%; farm mortgage, 22%; and noncorporate short-term consumer, 32%.

Noncorporate urban real estate mortgages, which declined from $28.6 billion at the end of 1941 to $27.1 billion at the end of 1944, expanded during 1945, the Department of Commerce said. During 1945, mortgages of this type increased by $162 million as compared with a reduction of $174 million during 1944.

State and local governments reduced their outstanding obligations during the war years. The limited opportunity for capital expenditure, reflecting wartime conditions with respect to supply of materials and labor, plus steadily rising revenues, were responsible for debt retirements by state and local governmental bodies.

In viewing the period ahead, the Department of Commerce said that the downward trend of farm mortgage indebtedness that has been continuous since the early 1920's, may be halted soon. This was indicated in 1945, it was said, when the decline was retarded for the nation as a whole. In 20 states farm mortgages increased in 1945 as compared with only 8 states showing increases in 1944.

The Treasury's debt reduction program, begun in late February 1946, brought to a close a period of public debt expansion such as this country has never before known, the Department of Commerce said. It is expected that the broad trends in indebtedness evident during the war will have been substantially altered by the close of 1946.

U. S. Cool to Food Fund Plan

The $400,000,000 United Nations Emergency Food Fund proposed for next year by UNRRA director general, Fiorello H. LaGuardia, to tide over European countries from the end of 1946 to the end of next year's harvest has found a cool reception on the part of the Administration, special advices of Nov. 12 to the New York "Times" stated. As an indication of this came a statement from Dean Acheson, Acting Secretary of State, who is reported to have indicated that the time has passed for an elaborate international set-up to handle the problem.

Officials have repeatedly said, the same sources continued, that should UNRRA die at the close of the year, as is expected, future funds for relief would have to come from Congress.

Mr. Acheson indicated that America's policy would continue as previously outlined, with consideration given to food needs of foreign nations in particular cases, and then, when it is decided to favor relief for them either by grants or loans, to seek the funds from Congress. UNRRA, he declared, was an emergency, temporary organization entrusted with relief during the immediate postwar period when foreign exchange was in confusion and governments were not on their feet. That period has now passed, he said, and it is no longer necessary to have food supplied through an international agency.

In the case of such countries as Italy, Austria and Greece, which might be unable for a time longer to finance sufficient imports of food, he maintained that arrangements could be made through consultations with them on special programs having the specific approval of Congress.

Robey Sees Slump Unlikely

Dr. Ralph W. Robey, chief economist for the National Association of Manufacturers, at a news conference on Nov. 7 preceding the annual dinner of the Syracuse Manufacturers' Association, predicted that there would be no depression, Associated Press Syracuse advices stated, adding that Dr. Robey had interpreted the Republican victory as a protest by the people against existing conditions. Even as supply increases, the economic expert continued, "we're not going to run out of demand."

"As long as our economy is on a good competitive basis, I don't think there will be a depression," he asserted.

Declaring government controls had been "brought into focus" by the election, Dr. Robey said industrial leaders were ready to meet these and fiscal policy problems on a united front.

Henderson Foresees Business Crisis

Former Price Administrator Leon Henderson, addressing a Rutgers University School of Business Administration luncheon on Nov. 13, was reported by the Associated Press in a dispatch from Newark, N. J., to have predicted a business crisis by the middle of next year, with its tempo and severity dependent on government policies. Other factors involved, Mr. Henderson is said to have continued, are how far "the present boom carries prices and the choices made by labor, government business and individuals."

Estimating Costs of Economic Changes

(Continued from first page)

tion and certain knowledge of the awful wastes of war in lives, wealth and resources. How, then, do people derive the notion from the records we compile that everything is happy, healthy and prosperous? I think the answer is that war breeds a fantasy of figures and the fantasy is too often mistaken for fact. War wrenches the economy as nothing else does; the economic changes wrought are of seismic proportions. On cost accountants rests the responsibility for accounting for the cost of economic change over and beyond their habitual practices, so that management and social decisions, often of a portentous sort, may rest on the facts as they are and the truth as it is.

Our big task is to find out how to use the experience of yesterday and the facts of today in order to perceive the costs of tomorrow, lest we deceive ourselves in measuring our profits and appraising our solvency. This is our challenge.

I do not mean that I am going to talk about forecasts or budgets as such. There is something more fundamental. We must orient our thinking so that in stating where we are and where we are heading we take into account the effects of major economic changes.

War Reserves

Perhaps a specific example will emphasize what I mean about costing economic changes.

None of us could detect all of the economic consequences of World War II. But World War I certainly told us that there would be consequences! So some of us during the war years set up reserves—and the necessary cash to go with them—to meet war costs, some of the expenditures for which might not come for a long period after the cessation of hostilities. The creation of these war reserves was set forth fully in our financial reports, and the policy of full disclosure as to how these reserves are used is even more important.

As an aside, I note that the Committee on Accounting Procedure of the American Institute of Accountants recently issued a bulletin in which it not only defined the class of items chargeable to war reserves but stated that the time had now come to ascertain exactly the type and amount of such future costs. But what does the past tell us about the future? Can anyone say today that we have come already to the end of even the primary costs of World War II? Nothing has occurred so far justifying a conclusion that the postwar patterns of previous wars are basically obsolete. One dissent to the committee report has to me the more enlightened view. It states that "to try to limit the period within which the reserves should be used, or the purpose ignores past experience and is contrary to conservative accounting or good business practice."

In support of this viewpoint, note that many companies are discovering to their dismay that the cash they thought sufficient is now insufficient to cover the increase in requirements for receivables, inventories and building programs. Many companies that thought their cash would be sufficient have been driven to borrow money. Some will even have to go back for more before all the economic costs of war will have been experienced. Persistence in disregarding economic costs as they occur will eventually bankrupt many businesses. We should use our hindsight to improve our foresight.

War Economic Changes

The economic changes caused by war cover broader fields than mere shifts in conventionally recognized cost elements. Take the money supply and flow which touches every one of us in every transaction.

We can start with the fact that since we are all producing or serving in connection with some specialized output we need some common means of exchange. That medium is dollars. It should be emphasized that the medium is only a medium. It is the exchange of goods and services which is the real fabric of our economic life. It is especially important that this be remembered in periods when the power of money to command goods and services is subject to relatively great fluctuation—that is, when wages and prices are saying "me first."

Our money consists of, first, the paper currency and coins issued by the government for use in hand-to-hand circulation; secondly, check deposits in banks. The latter are about four-fifths of the total and to a large extent have been created by commercial bank acquirement of government printed bonds. This monetary process is the modern, if hidden, equivalent of the paper money printing press. The process has been employed greatly to multiply the money supply to the vast encouragement of a vicious wage-price spiral. This is a basic economic change. To ignore it when determining where our businesses will stand in the future is to ignore a principal factor affecting that future. Take fixed assets, for example—that is, the replacement of plant and equipment as they wear out or become obsolete. The multiplied money and prices mean that the number of dollars formerly thought to be sufficient are quite insufficient to cover the dollar costs of installing tomorrow's facilities.

This is so because in the end it is the exchange of the goods and services of one producer for the goods and services of another producer which is controlling. If economic conditions cause one producer's costs to increase, generally the costs of all other producers increase. All of us are customers of each other and what we are willing to exchange depends more on the real things involved than on the numbers labelled as dollars. Manipulating the numbers unbalances the exchange relationships, with boom and bust consequences, and therefore is of tremendous concern to all of us. But the point I wish to make here is that not only must we know today's costs in today's dollars but we must also anticipate tomorrow's costs in tomorrow's dollars in all of our management considerations. Only by such an approach will the proper number of dollars be available to provide the new tools and the return to owners which are the bases for expanding production and exchange.

To think of today's and tomorrow's costs in relation to new tools is not so new as might at first appear. We are accustomed, for example, to recognize in costs the changes in prices where inventories are concerned. The last-in-first-out method currently costs the goods and services used at the last prices paid. It is a realistic approach. It recognizes that to replace material consumed in production while prices are rising more dollars must be recovered than were required previously to purchase that material. Costs are thus kept in pace with depreciating dollars so that profits are not over-stated.

Contrast this with the lack of realism of the early nineteen twenties. Then the crash in commodity prices ruined many companies which had over-stated their war profits by using the average-cost-of-inventory method. This experience, and the agitation which followed, led to the eventual authorization by the Congress of the last-in-first-out principle of costing inventories for tax purposes. That exemplifies intelligent costing of economic change.

Effects of Increasing Costs

I have said that as one producer's costs increase, other producers' costs increase. Let us explore this together. Each of our businesses must buy from others in order to carry on operations. No matter what degree of self-sufficiency a given business may have, it is always necessary to buy substantial quantities of goods and services from others. These range from freight, raw materials and power to fabricated or processed goods of all kinds. The other fellow's prices become part of our costs.

This is easily illustrated by the recent general $18\frac{1}{2}$ cents an hour wage increase. As this wage increase swept throughout America a new cost level was established for industry after industry. Practically everything purchased from others has been increased in price. Some price changes, of course, have been delayed here and there by artificial controls, but that only added unbalance in production to uncertainty in price. Would we not have been of greater service to management and to the public if we had estimated the interwoven costs of this economic change?

Now where are we? As examples of costing economic changes, we have looked at war reserves as a means of allocating the economic costs of war; I have indicated the need of costing the effects of an unstable medium of exchange; and, were you not so well aware of it, I might have expanded my reference to the increasing dollar cost of new tools. I have been pointing out examples of economic changes which were and will be experienced in an inflationary period by indicating their effects upon the dollars needed versus dollars collected. But all of us know that prices travel a two-way street in every business cycle. That does not matter, because the discovery of how to use today's facts in an appraisal of tomorrow's costs will be equally useful in both.

Role of Customer in Pricing

But the discovery and measurement of all economic costs are not the end of the story. Knowing costs and covering costs are not the same thing. There is that "little" matter of the customer—whose littleness is measured by the fact that in the end he bosses the whole show. It is the balancing of today's and tomorrow's costs with the prices the customer is willing to pay that determines whether the production and exchange of goods and services in the end is to walk in step with the depreciation of the dollar. And what is the secret of that balancing act? It rests on the full measurement and prompt disclosure of the basic costs behind the prices.

It is essential that customers—that is, the whole public—be fully informed as to the nature and consequence of basic cost changes. To do so will avoid customer resentment arising from an erroneous view that a seller is making unwarranted price changes. To do so will allow customers to judge the outlook for changes in prices. Management's appraisal of both today's and tomorrow's costs means that all concerned can have an accurate factual basis for determining the effect on costs of increased or decrease volume. I say that only by costing economic changes can that level of prices result which will permit — both today and tomorrow—the optimum employment of manpower and tools and the maximum exchange of ever more and better goods and services.

This is so because it is the customer who eventually determines the exchanges which are to be made, and therefore the things to be produced. The things produced, in turn, determine the work to be done and the tools required for doing it; the work and the tools determine the number and nature of jobs and this comes down to the point I have just made—the balancing of costs and prices through everyone comprehending the consequences of major economic changes. Customers competing with each other determine the price that producers competing with each other shall receive. The price thus arrived at determines the quantity of exchange and the form of production—our national scale of living.

We have just had an interesting lesson in attempts to replace open competition with something else. The moral of that lesson is that the customer cannot be forced—he chooses what he will use. If temporarily persuaded to use something he doesn't want or to pay more in price than he wishes, or to buy more or less than he desires, he quickly rebels. Thus the customer shapes and directs the exchanges in the whole economic system.

Publicity of Costs and Profits

Only by effectively acquainting the customer—the whole public—with basic cost changes can we dispel the existing general confusion concerning prices and profits. This is a larger point than the mere making of word changes in the labels attached to the financial reports we present to the public. Workers, managers and owners of tools are all customers and, as such, constitute the whole public and are therefore united in fare demands. In general these a common interest.

Take the case of so-called welfare costs. The costs of welfare have not been separately set out for what they are. It is true that costs of pensions and social security taxes have been recognized and tagged by some of us, but what about the costs of vacations, royalty levies per ton of output for worker benefits, accident and hospital expense, collection of union dues, and similar additions to costs? Have we fully indicated such costs and their dollar amounts for what they are?

It is up to the management to determine the effects of welfare demands or other so-called social benefits. It must set out all of the basic cost changes for the customer to consider and determine if he is willing to pay the bill. In this way management fulfills its obligation to the public. Greater public understanding leads to those national policies which serve the interests of all rather than the interests of special groups at the expense of all.

More and more the accounting of business operations is becoming public property. This is a fact we must not ignore. I perceive a healthy trend developing whereby more and more companies classify their cost elements—employment costs, purchased goods and services, wear and exhaustion of tools, taxes, and the like—in terms of who got what. This is a step forward from the historic method of stating accounts only in technical terms.

Failure to establish and present today's and tomorrow's costs in understandable fashion weakens and may ultimately destroy the ability of a business to continue its job of profitably producing goods and services for exchange. More than that, such failure can cause industry to lose its case at the bar of public opinion.

This is not a discussion of public relations but the moral must be clear. Recent surveys show that the worker wrongly believes that he now gets a much smaller slice of the total receipts from customers than the facts show. He also wrongly believes that owners are getting more than the facts show. Towards our own employes and the public we as accountants have a major responsibilitiy in this regard.

Fallacy of "Man-Hour" Output

Here is another instance of our task of education — within our companies and with the whole public. One of the customary means of measuring the trend of productivity has been a yardstick supplied to management which is appealingly called "output per manhour." This yardstick has been seized upon by some to "prove" the increased productivity of workers. Actually, this yardstick is a device which psychologically assigns to workers all of the gains from better tools and management but which really fails to measure the workers' actual contribution in any sense.

Word battles and "long-haired" conferences as to the use of this deceptive phrase get exactly nowhere because "output per manhour" overlooks the single factor which is the measure of all economic progress and is responsible for more and better jobs for workers. That factor is the supply of improved tools, used in combination with management and worker skills. The tools are supplied by owners whose only incentive is an adequate wage for their use.

To rob the owners of tools of the incentive to continue to supply them by assigning all the production gains to workers, and paying those gains out as wages, is to guarantee a diminished flow of new tools out of which new jobs are created.

With technological advance arising from improved tools comes more and better production of goods and services offered for exchange. With greater production, conditions affecting customers, workers and owners are changed. The changed conditions sometimes are reflected in higher wages, sometimes in lessened physical effort, sometimes in shorter hours, sometimes in lowered prices, sometimes in greater range and improved quality of products and sometimes in increased profits. But no valid case can be made for assigning all the benefits that accrue to any single purpose or group. The maximum social benefit from increased production is always obtained by letting competition balance the gains which go to customers, workers and owners.

I am aware — painfully perhaps at times — that there is inherent resistance to change in accounting methods. Yet I think you will agree that our task of widening the accounting perceptions and of modifying accounting presentations to meet contemporary needs is one from which we cannot shrink. The proper perception, in this period of drastic adjustment, of the costs of economic change is a starting point of cardinal importance to the future of industry. You have the ingenuity and the matured judgment to attack the problem. I am certain you will not be charged with inaction and that public confidence in your work and mine will be increased by the vigor and forthrightness with which we set about the tasks I have described.

So I leave with you the challenge of costing economic changes and the duty of presenting basic cost changes intelligently and effectively. These matters place upon you a high social responsibility.

Lilienthal Sworn in As Chairman of Atomic Energy Comm.

Federal Judge George C. Taylor administered to David E. Lilienthal, on Nov. 1, the oath as Chairman of the United States Atomic Energy Commission, the Associated Press reported from Knoxville, Tenn., adding that the former Tennessee Valley Authority Chairman was sworn in in the presence of his wife, a few TVA officials and friends. The appointment of the Atomic Energy Commission by President Truman was noted in our issue of Nov. 7, page 2386.

Some Defects in International Trade Organization's Proposals

(Continued from first page)

urgency. At the same time, we know only too well that the flow of American goods, American skill and American capital, which could do so much to meet the needs of the vast mass of the people of the world, is just a fraction of what it might be.

There are, of course, a great many reasons why we have accomplished much less than we hoped. Much could be said by way of explanation and criticism which relates to domestic matters. These are not my province. This afternoon I should like to make a few comments on one of the proposals which our government is now making with respect to the future conduct of commercial business enterprise in international trade. My comments will be particularly related to the adequacy and appropriateness of that proposal in relation to the two great problems which face us as a nation today. These problems are, first, to show that our system of private competitive business can do the job which lies ahead of it — and do it better than any other system, and second, to so reconcile and adjust the differences in economic needs and political and economic theory which prevail between the nations of the world that the job can be done — and can be done with peace and collaboration between all the nations.

Defects of Proposed ITO Charter

The proposal about which I am going to speak is that contained in Chapter V of the Suggested Charter for an International Trade Organization. The Charter has been published by our government and is now the subject of preliminary international negotiation in London. It should be clearly understood that my remarks are directed at Chapter V and the other provisions of the Charter related to it. They are not directed at the Charter as a whole.

Much of the Charter is designed to obtain from the participating governments agreement to reduce progressively the restrictions which they have imposed on the free flow of trade. With so much of the Charter, I think we are all in hearty general agreement, although we may have questions or criticisms as to details.

Chapter V, entitled "Restrictive Business Practices" provides that the members agree to take appropriate individual and collective measures to prevent business practices among commercial enterprises which restrain competition, restrict access to markets or foster monopolistic control in international trade. There are then specified six *prima facie* violations in very general terms. These relate to arrangements regarding prices, marketing, production, discrimination, suppression of technology and limitations on the use of industrial property.

The ITO is to receive complaints with regard to these matters, not only from member nations, but also from "persons or business entities." It is to investigate these complaints as a sort of administrative court and make recommendations to the member nations which may include termination of the arrangements in question, dissolution, reorganization, compulsory licensing of patents, etc.

The members are obligated to take enforcement action on these recommendations of the ITO but in accordance with their respective systems of law and economic organization. In addition, each nation is free to take its own enforcement measures whether or not the ITO has acted and apparently even though the ITO has found no violation to exist.

This provision, if adopted, means for the American business man that in his foreign operations he will have to have in mind three risks—first, that the authorities of this country will not like the way he conducts himself and sue him under the Sherman Act; second, that the ITO will not like it and bring an investigation resulting in a recommendation of enforcement proceedings against him by any one of a number of nations; third, that any one of a number of nations may bring such proceedings on their own account. And all of them may follow their own theories and methods of procedure. That is how Chapter V frees our trade from restrictions.

A Too Rigid Proposal

The purpose of this talk is to outline some of the reasons why I have come to the conclusion that this particular proposal as now written, which is entirely negative and punitive, is basically unsound and inappropriate to the problems which we face. In addition, it will be my purpose to indicate some possible alternatives.

One of my major criticisms relates to the negative, rigid and punitive quality of this proposal. It appears to be based on the reasoning that since competition is good any relations between businessmen which fall short of absolute knock-down and drag-out competition are bad and should be prohibited. This grossly oversimplifies the problem. Competition is not an absolute. The terms and extent of competition vary widely between industries and in accordance with circumstances. Most restrictive measures taken by governments or private business are designed to meet some real—or believed in—economic need such as the handling of surpluses, cushioning of price declines, or the protection of home markets, investments or industrial processes. Even in the most fully competitive economy, there must be adjustments and compromise.

But the world today is anything but a fully competitive world. The widening area of state trading and state enterprise poses problems of the greatest complexity for those who believe in and wish to carry on a system of competitive trade. State trading is the very antithesis of competition. It is monopoly in its absolute form. The pressing and urgent problem today is to find workable solutions to the relationships between such state trading and a competitive system. Such solutions must be founded upon flexibility, reconciliation and compromise.

A second criticism relates to the perhaps unintended, but none-the-less apparent discrimination in the treatment of commercial business in the Suggested Charter. On the one hand, the provisions contained in Chapter IV with respect to government-imposed restrictions contain a host of exceptions and escape clauses, and the provisions governing the conduct of state trading are cautious and vague; on the other hand, the prohibitions with respect to commercial business enterprise stated in Chapter V are categorical and punitive. In addition, Chapter VI of the Charter, which deals with Intergovernmental Commodity Agreements, is broad and flexible, and specifically permits governments to do through these agreements many of the things prohibited to commercial enterprise in Chapter V. Many people believe that the result of such discrimination will force commercial enterprise to seek the protection of government, to hasten the already rapid pace by which state enterprise is supplanting private business throughout the world.

Does Not Apply to Present Conditions

I more than half suspect that the authors of this provision have been thinking primarily in terms of its application to the fully functioning, capitalistic and highly cartelized industrial organization of pre-war Europe, rather than to the world of state trading and economic dislocations which prevail today. The preparation of this document was begun many years ago at the beginning of the war. The Proposals which were announced a year ago were substantially the same as the present Suggested Charter except that Chapter V has been made even more rigid. The books, articles and speeches which have been published explaining the Charter and Chapter V display a preoccupation with curing what are deemed to have been the evils of pre-war European industrial organization or preventing their return, almost to the exclusion of any consideration of the vastly altered actual situation prevailing today. One of the basic troubles with this proposal may be that it has never been thought through in terms of its applicability to the current post-war world.

A third criticism of this proposal is that it asks other nations to adopt and apply a peculiarly American legal and economic theory. Our antitrust laws are a manifestation of our American belief in the desirability of enforced competition between private enterprises. The American competitive system is something in which I am sure we all thoroughly believe. Certainly nothing would please me more than to see it prevail throughout the world. But the competitive system as such exists in only a limited number of countries in the world and the theory of enforced competition through antitrust laws is a purely American theory. It is based on premises which are the absolute antithesis of those which prevail in the nations which have adopted one form or another of socialism. Even in the non-socialist countries, with a few minor exceptions, there is nothing comparable to our American antitrust system of theory and practice. I am not at all sure that this system is adapted to the needs of countries with limited markets and a limited industrial establishment or to countries grappling with the problems of reconstruction or the beginnings of industrialization.

Assuming that this Chapter were agreed to, it is very difficult to conceive how this provision would work out in practice. Our antitrust laws are based on decades of experience, tradition and interpretation through judicial decisions. How would other nations, with totally different legal and economic systems and traditions, and no background of experience, interpret and enforce this undertaking? The possibilities for differences, misunderstandings, overlapping and conflicts seem to me to be almost endless.

One possibility which gives me particular concern is that many nations may accept this proposal and attempt to enforce it on the theory that it applies primarily to American business. The possibilities of its discriminatory use against our business enterprises, particularly by countries where a competitive economy does not prevail, give me considerable pause. I can see where state trading nations might find it greatly to their advantage to compel the fullest competition on the part of American business enterprises in dealing with their state monopolies.

Antitrust System Not Applicable to Foreign Trade

My fourth comment on the proposal is that there is grave question in my mind whether our antitrust system is a workable method of regulating our own foreign trade let alone asking other nations to join in it. In essence, our system is to state certain rather broad general principles and then enforce them by police action through the courts. Although the language used is different, this is essentially the system proposed in Chapter V of the Charter for general adoption.

The complexity of foreign trade is so great that our system does not seem a particularly suitable form of regulation. We know from our own experience that, over the years, the general provisions of the Sherman Act have been interpreted very differently and that all too often men and companies have been subjected to retroactive changes in policy and interpretation. The interpretations which may be put on these laws are almost impossible to predict. In our own time we have seen first a rule of reason, then the NRA, then the current crusading drive. There is no place to go to obtain an authoritative interpretation. The businessman — or his lawyer—can never be sure where he stands today — or will stand tomorrow.

We also know that a court trial of these complex questions may last for years and require thousands of pages of testimony and exhibits. When the decision finally is handed down and the appeals are over, the subject matter is old and stale. The ultimate decision may have little relationship to current problems or practices.

Furthermore, our system is a piecemeal system enforced by a branch of the government without responsibility for the formulation of foreign economic policy. It takes in one company or industry and one set of transactions at a time and laboriously grinds out a legal interpretation of the generally stated prohibitions of the Sherman Act which does not take into account the laws, policies or economic needs of the other nations affected.

The fact that foreign trade inevitably affects the policies and laws of more than one nation, makes it seriously questionable whether it can properly be regulated by each nation enforcing its own laws and policies without regard to the laws and policies of the other nations affected. Yet that is our system. We apply our antitrust laws to transactions all over the world wherever it can be shown that our trade is affected by those transactions and without regard to the policies and practices of the other nations interested.

If we find so much to criticize in the provisions of Chapter V, what do we suggest as an alternative. This is a fair question, my answer to which I will sketch briefly.

First of all, the proposed ITO appears to me to be an admirable institution for whose prompt acceptance and establishment we should all hope. It should be the forum for the consideration and adjustment of the different needs and policies of the members to the end that there may be economic peace, not economic warfare, and to the end that each nation, whatever its system, may contribute the maximum to a steadily expanding and stable world economy. This is an immense task. It is a positive task. It should be its primary task.

Positive Measures Should Be Stressed

There should also, I believe, be in the Charter greater emphasis upon the positive measures which need to be taken to promote an expanding economy with maximum employment and to avoid depressions and unemployment. This is the heart of the problem. Unless there is a world economic system which will contribute to prosperity, stability and higher standards of living, the ITO and the member nations will have failed in their task and all our efforts to free trade will have been in vain.

Within this framework the Charter should contain a provision calling for the progressive elimination of those restrictive business practices which unreasonably restrain international trade. This provision should be flexible in terms and should call for agreement between the nations affected as to the reasonableness or unreasonableness of the restraint. The question of reasonableness should be determined on the basis of the overall situation with the elimination of restraints as a goal, but not the only consideration. The needs and economic policies of all the nations affected are factors of the greatest importance which must be taken into account. The problem must be approached at the highest level of foreign economic policy.

The Charter should not obligate members to take enforcement measures except where the interested nations are in agreement. No member should be permitted to take enforcement measures except with respect to transactions taking place in or having a substantial effect within its territory. Unless such limitations are included in Chapter V it seems to me that there is grave danger that an aggressive enforcement policy by one nation seeking to make effective its legal and economic theories will clash with the policies of other countries whose interests may be directly affected.

Most important of all is the policy and attitude of our own government.

If I am right in the suggestion which I have made that those who drafted Chapter V have been thinking far more in terms of pre-war Europe than of the present day world, then I think the first thing which needs to be done is to re-think the problem with particular reference to the spreading area of state enterprise and state trading. In all of these cases, there is a fundamental issue posed by the fact that on one side of the transaction there is competition and on the other side there is none.

It seems to me that we must recognize that this problem will be a continuing one, however much we may hope for a reduction of the area of state trading and however much we may use our influence to accomplish its reduction. We can no longer think and act as if state trading affected so small a proportion of world trade that we did not need to pay much attention to it. We must also recognize that there probably is no formula which will solve the problem on a universal basis. It must be the subject of continuing negotiation and compromise—probably on an ad hoc basis.

U. S. Must Assert Positive Leadership

Above all, the key to our foreign economic policy should be a recognition that we must, as a nation, assert a positive leadership towards an expanding world economy and world trade. Our ability to maintain a prosperous and stable economy at home and to make our full contribution towards prosperity and stability abroad will be the acid test of all the things for which we as a nation stand. Unless we meet this test, it will be idle to seek to obtain or to enforce agreements with regard to restrictive measures and state interferences with the flow of trade.

We must also recognize that under our system our American business enterprise must do the largest share of the job. Our government must therefore adopt those policies and seek those adjustments abroad which will be necessary to permit American

business enterprise to make its maximum contribution to the expansion of world trade.

All agencies of our government should recognize that American busines enterprise is not some inanimate object against which to conduct a vendetta. It is a complex aggregate of cooperating American labor, white collar, management, stockholders and the men who go to all parts of the world to represent it. It consists of people working together in a common enterprise which is producing goods or offering services which are the life blood of the world economy. The American tractor, truck or radio going to foreign lands is a vital contribution of American Foreign Trade to the expanding economy and improved standard of living throughout the world. American business can do a tremendous job to meet the needs of the world today if given a fair opportunity to do so.

What American business enterprise needs and should receive from our government are broadly conceived, consistent and understandable expressions of our foreign economic policy plus diplomatic representation in the ITO and elsewhere which will seek to make that foreign economic policy effective through negotiation and adjustment of differences in policy and needs on the part of other nations.

The formulation and representation abroad of such foreign economic policy is the primary responsibility of the Department of State. It should develop that policy in cooperation with the other appropriate agencies of our government. But once determined and announced, this policy should be applied consistently by all agencies of our government. The present system under which enforcement of our antitrust laws, as applied to foreign trade, is the task of an agency of our government which has no responsibility for foreign economic policy and is not required to temper its enforcement action and adjust it to broader considerations of policy does not meet the needs of our time.

A Commission to Determine Application of Antitrust Laws

In order to carry out these suggestions, there would be needed certain changes in the terms and present administration of our anti-trust laws. Tentatively, I would like to suggest very briefly for your consideration that provision should be made for an administrative agency in our government with authority to grant exemptions from our anti-trust laws with respect to the conduct of foreign trade. Such exemptions should be granted if and to the extent that such agency deems that they are required, either to carry out the terms of some agreement reached with one or more other nations through the ITO or otherwise, or to adjust our laws and policies to those of other nations, or to permit American business to deal on equal terms in one or more foreign markets. The agency should be empowered to grant such exemptions either by general rules and regulations or by specific decisions with respect to particular transactions. The exemptions should be revocable but not with retroactive effect. The agency itself should be subject to the policy direction of the Department of State.

It is my thought that such an agency must be formally constituted and the exemptions provided for by statute. It does not appear to me that any system of informal discussion of problems with unenforceable clearances is adequate to the needs of those who must take the risks.

I will confess that I do not find this suggestion wholly satisfactory. But it is difficult to suggest any perfect solution of the problem created for American business enterprise by the presence of the anti-trust laws on one side and state monopolies on the other. The whole question calls for more thought than it seems to have received and both business and government must feel their way and work out solutions through experience in the years that lie immediately ahead. The advantage of the foregoing proposal is that it provides the flexibility to make the necessary adjustments, which flexibility does not exist under the anti-trust laws as they are now written and enforced.

I will close with a few words about the responsibility of American business in these post-war years. On the one hand American business enterprise has a gigantic opportunity. The world-wide demand for its products and its skills is enormous. At the same time, the American system of free competitive enterprise is challenged all over the world, and in many countries the trend is away from our system toward the system of state enterprise.

The first responsibility of American business enterprise would appear to be to do its job to produce the goods and services and distribute them all over the world. But I do not think this is the end of the responsibility of American business. Its responsibilities today are measured not only in terms of production and profit but in terms of political, economic and social values. The leaders and representatives of American business must recognize that in all they do they are representatives of our democratic system of free competitive enterprise in a world which is challenging the validity of that system. The challenge is not that American enterprise does not produce goods and make money. The challenge is that American enterprise is not able to rise to the level of its responsibilities. It is stated that the American economic system is a boom and bust system; that the American enterprise system is so intent upon profits that it ignores its social responsibilities to its employees and to the people of those countries within which it operates. I believe that if Ameriacn enterprise is to survive in the modern world it must meet these challenges head on. It must demonstrate that it can so organize its affairs as to produce both wealth and stability, that it is aware of and carries out its social responsibilities and that it does not seek to dominate but to serve. If our country is going to do the job which is its responsibility, its businessmen must make it a part of their task to give the finest possible example of the things for which we stand and the advantages which we and our system have to offer.

This great organization, the National Foreign Trade Council, and other similar organizations, are performing a great task in representing the voice of American business in foreign trade. The work of formulating the policies of American business and giving them expression to the public and to our government is as important as any to which we can devote ourselves. It calls for the best thought and efforts of our ablest and most farsighted leaders. I hope that its work will ever grow so that its voice may increasingly be the voice of business statesmanship.

David World Air Aide

The United States representative on the Air Transport Committee of the International Civil Aviation Organization will be Paul T. David, whose appointment by President Truman was announced on Nov. 6, according to a special dispatch from Washington to the New York "Times." Mr. David is at present Assistant Chief of the Fiscal Division of the Bureau of the Budget.

Wants Free Market for Sugar

(Continued from first page)

at any time between now and March 31, 1947, and price control may be terminated under the law by the President or Congress before June 30, 1947. He said, "it is entirely too early to judge what the temper or policy of the Republican majorities in Congress may be when it convenes and that it is impossible to state with certainty what the President's attitude may be on the sugar question."

Mr. Lamborn emphasized that it is of the greatest importance that the Government should state immediately that it will not permit the shipment of any sugar from our sources of supply to foreign destinations (other than prewar normal destinations and in as modest amounts as possible) except for proved famine relief, and that the Government should announce as quickly as possible that it will not purchase any 1948 sugar crop anywhere. He declared:

"Such action would provide the opportunity to set the machinery in motion to create a free and untrammelled market in sugar. Such an action would have advantages for all trades interested, as follows: (a) a year's grace to get their houses in order (assuming that sugar is not decontrolled in 1947) and to become adjusted to a free and uncontrolled market; (b) during that year of grace values of sugar, for 1948 delivery, as expressed in the free markets, would probably fluctuate widely but would, after the 'shakedown cruise,' stabilize at around the proper value of sugar for 1948 as determined by the play of all the factors involved; (c) provide an orderly transition from control to decontrol.

"In pre-war times there were two great markets in the world for the trading in future positions in sugar. One was the New York Coffee & Sugar Exchange and the other was the London Terminal Market. Buyers and sellers of all kinds met in those free markets to trade. Those markets were vital mechanisms in every phase of the sugar business. Those markets made possible, in addition to other intricate phases, the sound financing of sugar production."

He further stated:

"That the New York Coffee & Sugar Exchange cannot be opened for trading until buyers and sellers have something in which they can trade. It would be folly to open the Exchange for trading without sugars being available for delivery. Sugars cannot be made available for delivery if they are controlled by the Government or if every phase of the sugar situation is managed by the Government. Therefore, it will be seen that the first step must be for the Government to declare that it will not purchase crops or maintain control of the business in 1948.

"The Exchange when opened would act as the greatest kind of safety valve, protecting buyer and seller alike, as well as the public of the United States from a runaway market. If prices should run up too high on sugars for delivery in 1948 the producers of sugar not only in the Western Hemisphere but all over the world would be quick to offer sugar. This would act as a safeguard against unwarrantedly high prices.

"Given freedom for the buying and selling of 1948 deliveries, on the Sugar Exchange, sugar will find its proper level. We will then find out, and only then, what the true value of sugar is. And of course we must find out sooner or later. Then we will know whether we are afoot or horseback. We cannot postpone that day forever."

From Washington Ahead of the News

(Continued from first page)

the organization has acquired and which a President, Republican or Democrat, might like to invoke on occasions.

That its activities will be sharply circumscribed, however, is little open to doubt. Congressman Jesse Wolcott, who will be the new Republican Chairman of the House Banking and Currency Committee, is already in town conferring with various officials preliminary to a committee study of the RFC's future.

When the matter is opened up there is likely to be a battle of the Titians. The American Bankers' Association is sharply on record that the organization's policy of signing up banks to provide for RFC's participation in the banks' loans up to 75%, is inflationary. Snyder is understood to be in agreement. On the other hand, there are those who argue that to prohibit this participation would return the small banks to the mercy of the correspondent banks. All in all, there is likely to be a merry battle as to who is to control the country's credit system, whether it should be returned to the banks or the RFC retained as a lever, and if so, to what extent.

Those who insist that the organization should be reduced to the blue print stage contend that as long as it is permitted to function actively, its personnel will always be looking for new business, for new ways to expand. It is ever thus with a bureaucracy. The current insistence of Housing Administrator Wilson Wyatt, that the RFC finance a prefabricated housing enterprise to the tune of some $50,000,000, with the enterprisers putting up only $36,000 of their own money, is being cited as an abuse to which it can be put. Anyhow, its operations are in for a raking over the coals.

It is probably not an amazing statement to say that the Republicans will show a lot of inconsistencies. One of the very first undoubtedly will be that, notwithstanding their prating about free enterprise and against regimentation, they will seek to pass the FEPC bill. This highly controversial measure, purportedly seeking to prevent discrimination in employment on the grounds of race or creed, is really another attack on the employer. Its provisions are aimed at him, not at the labor unions where the greatest discrimination exists. Under the bill the employer who most likely is not concerned about the nature of his labor so long as it will do the work, is subjected to the harassments of law suits and bureaucratic administration.

Heretofore the Southerners on the House Rules Committee have kept the bill from the floor. The Republicans will most certainly get it to the House floor and the Senate Republicans will seek passage in their body. However, the Southerners in the Senate are expected to prevent its passage through filibuster.

Much of the present labor legislation is predicated upon the investigation in 1933 by the LaFollette committee of employer abuses. Watch now for an investigation, aimed at evening the labor-management scales, of labor abuses, highlighted by a looksee into the Allis-Chalmers six-months old strike at West Allis, Wis.

For several weeks bona fide employees of this company, disillusioned by revelations that they were communist led, have been trying to go back to work and they have been prevented by mass, terroristic tactics which the local authorities claim they are powerless to check.

The Republicans are not being quite frank when they say their victory will not affect our foreign policy. It will affect it to the extent of stopping the billions we have been scattering abroad. And that is one of the main ways in which they plan to reduce taxes, which despite the skeptics will be cut from 10 to 20%.

McKenzie Takes Fire Prevention Post

Superintendent of Insurance Robert E. Dineen of New York, in his capacity as President of the National Association of Insurance Commissioners, has announced the appointment of Jack G. McKenzie, Insurance Commissioner of Arkansas, as Chairman of the Fire Prevention Committee, in place of James M. McCormack, Insurance Commissioner of Tennessee. Commissioner McCormack is assuming the Vice-Chairmanship, exchanging posts with Commissioner McKenzie on this committee. The announcement, issued Nov. 13, also said:

"Commissioner McCormack was one of those primarily responsible for the organization of the Fire Prevention Committee and had served as Chairman prior to his election as President of the National Association of Insurance Commissioners in 1945. He has declined reappointment to the Chairmanship in the belief that, as immediate past President, he should not assume such responsibilities. The appointment of Commissioner McKenzie to the Chairmanship continues him in the position in which he served during the past year.

AAF Plans Increased Aircraft Production

The Army Air Forces on Nov. 2 disclosed plans which are still in the formative stage envisaging an annual expenditure of $900,000,000 by the Army and Navy on airplane production which, with the $100,000,000 expected for civilian airline and private plan production, would result in an annual production rate for the nation's aircraft industry of $1,000,000,000. In addition to this, United Press advices stated from Washington, the industry would be expected to keep itself ready to go quickly into mass production of bombers and fighters if an emergency demanded sudden increases.

In production, the aircraft industry now ranks only 16th in this counrty, with 200,000 persons employed now compared to 2,080,000 during the war.

The AAF plans to spend $347,000,000 in the 1947-48 fiscal period on research and development. In addition, it is seeking $48,000,000 for a new type of industrial preparedness calling for a pilot line of production tools for a bomber and a fighter, each of the latest type.

The AAF believes the plan will save six to 12 months in getting into production if the nation were attacked. Production of bombers could be increased to 100 a month and of fighters to 500 to 600.

Machine tools, dies and jigs would be kept ready for mass production until the plane type became obsolete, when other tools would be prepared for the next model.

The AAF plans also to spend $5,000,000 a year on design and engineering contracts that would produce blueprints on current operational models.

The State of Trade

(Continued from page 2667)

upward last week with copper being advanced 3⅛c per lb. by two major producers to 17½c per lb. delivered Connecticut Valley. Other producers were expected to meet this price. This initial raise, according to authorities, by no means disposes of the possibility of still higher prices in the immediate future. One major producer early in the week advanced the price of lead 2¼c per lb. to a quotation of 10½c per lb. at New York. At New York zinc advanced the fore part of last week from 8.69c per lb. to 10.94c.

The American Iron and Steel Institute announced on Monday of this week the opening rate of steel companies having 94% of the steel capacity of the industry will be 91.4% of capacity for the week beginning Nov. 18, compared with 91.2% one week ago, 90.3% one month ago and 82.4% one year ago. This represents an increase of 0.2 point or 0.2% from the previous week.

This week's operating rate is equivalent to 1,610,800 tons of steel ingots and castings and compares with 1,607,300 tons one week ago, 1,591,400 tons one month ago and 1,509,300 tons one year ago.

Electric Production — The Edison Electric Institute reports that the output of electricity increased to 4,682,085,000 kwh. in the week ended Nov. 9, 1946, from 4,628,353,000 kwh. in the preceding week. Output for the week ended Nov. 9, 1946, was 18.6% above that for the corresponding weekly period one year ago.

Consolidated Edison Co. of New York reports system output of 203,000,000 kwh. in the week ended Nov. 10, 1946, compared with 176,200,000 kwh. for the corresponding week of 1945, or an increase of 15.2%. Local distribution of electricity amounted to 189,900,000 kwh. compared with 175,800,000 kwh. for the corresponding week of last year, and increase of 8.0%.

Railroad Freight Loadings—Car loadings of revenue freight for the week ended Nov. 9, 1946, totaled 913,345 cars, the Association of American Railroads announced. This was a decrease of 8,967 cars (or 1.0%) below the preceding week and 75,127 cars, or 9.0% above the corresponding week for 1945. Compared with the similar period of 1944, an increase of 73,841 cars, or 8.8%, is shown.

Paper and Paperboard Production — Paper production in the United States for the week ended Nov. 9, was 106.8% of mill capacity, against 107.2% in the preceding week and 97% in the like 1945 week, according to the American Paper & Pulp Association. Paperboard output for the current week was 102% against 100% in the preceding week, and 97% in the corresponding week a year ago.

Business Failures Continue Increase—Numbering 28 in the week ending Nov. 14, commercial and industrial failures continued for the eighth consecutive week to exceed those in the comparable weeks of both 1945 and 1944, reports Dun & Bradstreet, Inc. Up slightly from the 25 in the previous week, concerns failing were more than twice as numerous as in the corresponding week a year ago when only 12 were reported.

The increase occurred entirely among large failures with liabilities of $5,000 or more. The number of concerns failing in this size group rose from 21 a week ago to 24 in the week just ended, almost five times as many as the 5 occurring in the same week of 1945. In fact, 7 of the 24 large failures reported this week had liabilities ranging above $100,000. Small failures, on the other hand, remained at 4, the same as last week and 3 short of the 7 small concerns failing a year ago.

Retail trade and manufacturing accounted for 20 of the week's 28 failures. Retailers failing, at 12, were the most numerous. This represented a sharp rise from the 4 retail failures occurring both last week and in the 1945's comparable week. While concerns failing in manufacturing fell off from 13 a week ago to 8 this week, they remained more than two times as numerous as last year. Commercial service failures increased to 5 in the week just ended, while failures in wholesale trade and construction remained low, at 1 and 2 respectively.

Only 1 Canadian failure was reported as compared with 5 in the preceding week and 5 in the corresponding week of 1945.

Building Permit Volume In October — Although the decline was slight, the volume of building construction for which permits were issued in October continued to recede for the fourth straight month. The total, however, again exceeded that for the same month a year ago. October permits for 215 cities totalled 170,491,125, a drop of 3.4% from the $176,492,394 for September, but a gain of 5.3% over the $161,851,437 recorded in October last year, according to the latest compilation by Dun & Bradstreet, Inc. New York City permits for October amounted to $13,889,555, off 21.0% from the previous month, and 32.2% below the corresponding 1945 month.

Wholesale Food Price Index Moves Upward — Advances outnumbered declines this week and the wholesale food price index, compiled by Dun & Bradstreet, Inc., rose quite sharply to $6.29 on Nov. 12, from $6.14 a week earlier. The current level compares with $4.15 on the corresponding date last year, an increase of 48.0%. Higher quotations for the week were noted for flour, hams, bellies, butter, cocoa, potatoes, currents, prunes, steers, hogs, sheep and lambs. On the down side were wheat, corn, oats lard, cheese, cottonseed oil and eggs. The index represents the sum total of the price per pound of 31 foods in general use.

Daily Wholesale Commodity Price Index—The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., moved over a fairly narrow range most of the past week. The lifting of controls on most commodities over the week-end came too late to exert any appreciable effect on the index, which closed at 235.34 on Nov. 12, as compared with 234.25 on Nov. 4. At this time last year it stood at 181.56.

Trading in grain futures on the Chicago Board of Trade was smaller last week due largely to the Election Day holiday. Wheat futures showed some recession but cash wheat remained strong as the result of competition between the mills and the government for the limited available supplies of that grain. The outlook for the new winter wheat crop is reported good to excellent, aided by recent heavy rains. Cash corn prices were irregular and somewhat lower for the week. Demand was active and the movement of new corn was much improved, with farmers showing more disposition to sell their surplus stocks. Liquidation in oats carried both cash and futures prices sharply lower for the week. Rye continued in good demand with prices stronger. Due to previous heavy bookings, flour mill offerings were greatly restricted. Prices were higher aided by the strength in cash wheat. Cocoa remained firm as a result of high asking prices in primary markets and a steady lessening of spot supplies. Livestock markets held firm under good demand. Cash lard prices trended slightly easier with demand fair.

The cotton market suffered sharp setbacks on Wednesday and Thursday of last week which carried values to the lowest levels in the past five months. Friday saw a moderate recovery, stimulated by active mill buying and replacement purchases. Despite the upturn, prices at the close were still off around 170 points for the week. Strength in the final sessions also reflected the prospect of a short crop this year and the reported withholding of cotton by southern farmers. The Nov. 1 report of the Department of Agriculture placed total cotton production for this year at 8,487,000 bales. This was a decline of 237,000 from the Oct. 1 estimate, and represented the smallest yearly outturn in the past twenty-five years. The report also showed that 5,724,926 bales, or more than two-thirds of the crop, had been ginned up to Nov. 1, as compared with 5,151,873 bales ginned to the same date a year ago.

Quietness marked the Boston wool market last week. Business in both domestic and foreign wools was very light. Demand for the latter was good, but trading was restricted by a lack of offerings. Imports of apparel wools at the ports of Boston, New York, and Philadelphia during the week ending Nov. 1, increased to 6,347,800 pounds, clean basis, from 4,293,100 in the week preceding. Sales of wool by the CCC during the week ending Nov. 2 amounted to 6,901,854 pounds, making a total of 261,034,914 pounds sold since the price reduction on Nov. 27, 1945.

Retail and Wholesale Trade — Encouraged by Armistice Day shopping retail volume rose moderately the past week continuing to be well above that of the corresponding week a year ago, according to Dun & Bradstreet, Inc., in its weekly survey of trade. The demand for durable goods rose appreciably and centered largely on housewares and home appliances. A slight decline was noted in consumer interest in some apparel and luxury items.

Retail food volume was slightly above that of the previous week. Stocks of most foods were ample though the supply of dairy products continued to decline seasonally but remained adequate. The supply of canned and fresh fruits was large and fresh vegetables were plentiful. The current supply of pepper was estimated to be less than 5% of the pre-war level. Meat generally appeared in ample quantities on retail shelves although bacon was often difficult to obtain.

Mark-down sales and promotions of women's apparel evoked a moderate response from consumers. Interest in almost all lines of men's apparel remained at a very high level with shirts, suits and pajamas frequently sought. The demand for women's coats and furs was stimulated by cool weather in some sections of the country. A rising interest in accessories was apparent last week.

Interest in durable goods continued to rise the past week. The consumer demand for hardware and household goods was very high. Despite a slight decline in the number of requests for luxury items, novelty jewelry attracted much attention. The demand for passenger car tires continued to exceed the available supply in almost all parts of the country.

Retail volume for the country last week was estimated to be from 17 to 21% above that of the corresponding week a year ago. Regional estimates exceeded those of a year ago by the following perecntages: New England 20 to 24, East 21 to 25, Middle West 17 to 21, Northwest 23 to 27, South 24 to 28 and Pacific Coast 19 to 23. Volume in the Southwest fell sharply as the result of adverse weather; the percentage estimate was from 13 to 17 above a year ago.

Wholesale volume rose moderately during the week and was estimated to be from 18 to 22% above that of the corresponding week a year ago. Wholesale shows of apparel and durable goods throughout the country generally were well attended and buying was brisk at many of these markets. The supply of many goods rose slightly and deliveries continued to improve.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Nov. 9, 1946, increased by 20% above the same period of last year. This compared with an increase of 17% in the preceding week. For the four weeks ended Nov. 9, 1946, sales increased by 21% and for the year to date by 29%.

Retail trade in New York City last week was featured by a sharp rise in sales volume which was accompanied by speedy price decontrol adjustments. Wholesale purchasing remained strong with most merchandise disposed of at firm prices. Leading producers of major home appliances put price advance into effect. Christmas buying got off to an early start with sales for department stores registering on increase of 30% over last year. Advances were noted in wholesale food prices, especially on scarce items along with retail increases in bottled-in-bond liquors. Purchases of men's clothing were heavy with dealers taking all suits available. Ordering in furniture lines on the part of department store buyers and independent merchants ceased following decontrol because of consumer resistance.

According to the Federal Reserve Bank's index, department store sales in New York City for the weekly period to Nov. 9, 1946, increased 21% above the same period last year. This compared with a decrease of 7% in the preceding week. For the four weeks ended Nov. 9, 1946, sales rose 5% and for the year to date increased to 30%.

U. S.-Philippine Air Pact Initialed

Technicians of the United States and Philippine Governments, who have been working out the details of an international air transport agreement between the two countries for the past several months, have finally completed a rough draft of a suitable pact which has been initialed, according to advices from Manila on Nov. 4 to the New York "Times." Under the treaty, mutual recognition will be accorded each country's licenses, certificates and regulations. Provision is made for equality of treatment insofar as possible in all matters affecting trans-Pacific and local air traffic. From the advices to the "Times" we also quote:

"The United States Embassy announcement said that there was considerable discussion during the negotiations over the wording of an annex to the agreement describing the routes to be flown initially by United States-Philippine airlines. The Philippine lines will have the specific right to use both the San Francisco and Honolulu airports.

"A lucrative traffic in passengers and mail is expected between Hawaii and the Philippines. The right of the Philippine airlines to follow established trans-Pacific routes, using service stops on American-held islands is also granted."

It is also stated that proponents of the agreement between this country and the Filipinos hope it will implement the long-held dream of making the Philippines the hub of transocean air travel between the Occident and Orient.

Alaska Highway Pact

The Alaska Highway, built during the war for military purposes, may with connecting roads be used for the shipment of goods by truck in bond from the United States to Alaska under an agreement between this country and Canada which was announced in Washington on Nov. 7, according to advices from the Associated Press. The pact is not expected to bring greatly expanded highway traffic immediately, but lays down the broad, general conditions for such use of the road when general civilian traffic can be accommodated. At present only limited traffic can be allowed over the road, but as soon as Canada has improved and increased the highway's facilities, goods can be shipped between the United States and Alaska without payment in Canada of import duties and transit or similar charges. The Associated Press added:

"Under the recent agreement Canada designated three frontier ports of entry and exit through which trucks from the United States and Alaska may pass. They are Kingsgate, B. C., opposite Eastport, Idaho; Coutts, Alberta, opposite Sweetgrass, Mont., and Snag Creek, in the Ykon territory. As the highway is improved and its facilities expanded, Canada will consider designation of additional entry and exit ports, the announcement said.

"Canada thus far has permitted civilian traffic on a limited basis by individual permit only, although it has given American civilian traffic equal opportunities in this request with Canadian traffic."

Sir John Orr to Leave FAO?

According to a London newspaper report, Sir John Boyd Orr, Director-General of the Food and Agricultural Organization, is being considered for a post in Britain. The "Observer" (London) of Nov. 3 carried the following item:

Sir John Boyd Orr remains in the running for the Chancellorship of Glasgow University. A show of hands on the General Council has put him a little behind Sir Iain Colquhoun of Luss, Chairman of the National Trust for Scotland and a former popular Lord Rector of the University, but well ahead of the other two nominees, the Duke of Hamilton and the Duke of Montrose. A postal vote is now demanded, so it rests with as many of the 27,000 or so graduates who can be reached to decide the matter and, incidentally, to decide who is to be the representative head of the University at the celebration in 1950 of the its quincentenary.

Truman Leads Armistice Day Observance

Armistice Day was observed throughout the nation and by U. S. forces in Europe and the Pacific on Nov. 11 with the traditional two-minute period of silence and other ceremonies honoring the country's war-dead. Observance of the 28th anniversary of World War I was led by President Truman, who laid a wreath at the tomb of the Unknown Soldier in Arlington Cemetery in the national capital and addressed the thousands attending the ceremony. Stressing that peace is the primary goal of the United States, Mr. Truman said: "What we are trying to do now is to create a peace which will prevent the necessity of our grandchildren fighting a third world war for the same principles for which we stand now and have always stood." . . . "The welfare of the United States and the welfare of the world are wrapped up in one package."

Weekly Coal and Coke Production Statistics

Production of bituminous coal during the week ended Nov. 9, 1946, was estimated by the United States Bureau of Mines at 12,800,000 net tons, an increase of 365,000 tons, or 2.9% over the preceding week. Output in the corresponding week of 1945 was estimated at 12,490,000 tons. Cumulative production during the calendar year through Nov. 9, 1946, totaled some 464,146,000 net tons, which was a decrease of 6.6% below the 496,767,000 tons mined in the comparable period of 1945.

Output of Pennsylvania anthracite for the week ended Nov. 9, 1946, as estimated by the Bureau of Mines, was 1,274,000 tons, an increase of 426,000 tons, or 50.2%, over the preceding week and a gain of 95,000 tons, or 8.1%, over the corresponding week of 1945. Cumulative production of hard coal in the calendar year thorugh Nov. 9, 1946, was approximated at 52,055,000 tons, which was an increase of 8.5% above the 47,97,000 tons produced in the comparable period in 1945.

The Bureau also reported that the estimated production of beehive coke in the United States for the week ended Nov. 9, 1946, showed an increase of 2,300 tons when compared with the output for the week ended Nov. 2, 1946; and was 40,300 tons more than for the corresponding week of 1945.

ESTIMATED UNITED STATES PRODUCTION OF BITUMINOUS COAL AND LIGNITE
(In Net Tons)

Bituminous coal and lignite—	Week Ended— Nov. 9, 1946	*Nov. 2, 1946	Nov. 10, 1945	Jan. 1 to Date— †Nov. 9, 1946	Nov. 10, 1945
Total, including mine fuel	12,800,000	12,435,000	12,490,000	464,146,000	496,767,000
Daily average	2,133,000	2,073,000	2,082,000	1,767,000	1,875,000

*Revised. †Subject to current adjustment.

ESTIMATED PRODUCTION OF PENNSYLVANIA ANTHRACITE AND COKE
(In Net Tons)

Penn Anthracite—	Week Ended— ‡Nov. 9, 1946	§Nov. 2, 1946	Nov. 10, 1945	Calendar Year to Date— Nov. 9, 1946	Nov. 10, 1945	Nov. 13, 1937
*Total incl. coll. fuel	1,274,000	848,000	1,179,000	52,055,000	47,971,000	44,720,000
†Commercial produc.	1,225,000	815,000	1,134,000	50,048,000	46,124,000	42,484,000
Beehive Coke—						
United States total	117,800	115,500	77,500	3,695,200	4,614,300	2,944,900

*Includes washery and dredge coal and coal shipped by truck from authorized operations. †Excludes colliery fuel. ‡Subject to revision. §Revised.

ESTIMATED WEEKLY PRODUCTION OF BITUMINOUS COAL AND LIGNITE, BY STATES, IN NET TONS

(The current weekly estimates are based on railroad carloadings and river shipments and are subject to revision on receipt of monthly tonnage reports from district and State sources or of final annual returns from the operators.)

State—	Week Ended— Nov. 2, 1946	Oct. 26, 1946	Nov. 3, 1945
Alabama	400,000	391,000	404,000
Alaska	7,000	7,000	6,000
Arkansas	42,000	42,000	39,000
Colorado	156,000	154,000	170,000
Georgia and North Carolina	1,000	1,000	1,000
Illinois	1,479,000	1,448,000	1,518,000
Indiana	574,000	555,000	534,000
Iowa	38,000	25,000	48,000
Kansas and Missouri	111,000	119,000	129,000
Kentucky—Eastern	1,108,000	1,157,000	1,066,000
Kentucky—Western	420,000	394,000	437,000
Maryland	37,000	37,000	38,000
Michigan	1,000	1,000	1,000
Montana (bituminous and lignite)	86,000	90,000	88,000
New Mexico	12,000	29,000	31,000
North and South Dakota (lignite)	92,000	86,000	72,000
Ohio	815,000	846,000	755,000
Oklahoma	56,000	60,000	67,000
Pennsylvania (bituminous)	2,987,000	3,090,000	2,823,000
Tennessee	135,000	142,000	156,000
Texas (bituminous and lignite)	2,000	2,000	2,000
Utah	151,000	133,000	128,000
Virginia	364,000	381,000	397,000
Washington	21,000	22,000	28,000
†West Virginia—Southern	2,224,000	2,262,000	2,243,000
‡West Virginia—Northern	870,000	814,000	1,097,000
Wyoming	225,000	212,000	211,000
§Other Western States	1,000	*	*
Total bituminous and lignite	12,435,000	12,500,000	12,489,000

†Includes operations on the N. & W.; C. & O.; Virginian; K. & M.; B. C. & G.; and on the B. & O. in Kanawha, Mason and Clay counties. ‡Rest of State, including the Panhandle District and Grant, Mineral and Tucker counties. §Includes Arizona and Oregon. *Less than 1.000 tons.

Civil Engineering Construction Totals $112,491,000 for Week Ending Nov. 14

Civil engineering construction volume in continental United States totals $112,491,000 for the five-day week ending Nov. 14, 1946, as reported by "Engineering News-Record." This volume is 112% above the previous four-day week, 47% above the corresponding week of last year, and 38% above the previous four-week moving average. The report issued on Nov. 14, continued as follows:

Private construction this week, $44,847,000, is 27% above last week and 10% below the week last year. Public construction, $67,644,000 is 280% above last week, and 234% greater than the week last year. State and municipal construction, $37,149,000, 160% above last week, is 216% above the 1945 week. Federal construction, $30,495,000, is 771% above last week, and 259% above the week last year.

Total engineering construction for the 46-week period of 1946 records a cumulative total of $4,737,067,000, which is 143% above the total for a like period of 1945. On a cumulative basis, private construction in 1946 totals $2,856,662,000, which is 220% above that for 1945. Public construction, $1,880,405,000, is 79% greater than the cumulative total for the corresponding period of 1945, whereas State and municipal construction, $1,288,080,000 to date, is 284% above 1945. Federal construction, $592,325,000, dropped 17% below the 46-week total of 1945.

Civil engineering construction volume for the current week, last week, and the 1945 week are:

	Nov. 14, 1946 (five days)	Nov. 7, 1946 (four days)	Nov. 15, 1945 (five days)
Total U. S. Construction	$112,491,000	$52,958,000	$76,318,000
Private Construction	44,847,000	35,179,000	56,070,000
Public Construction	67,644,000	17,779,000	20,248,000
State and Municipal	37,149,000	14,277,000	11,762,000
Federal	30,495,000	3,502,000	8,486,000

In the classified construction groups, bridges, highways, earthwork and drainage, industrial buildings, commercial buildings, public buildings, and unclassified construction gained this week over the previous week. Seven of the nine classes recorded gains this week over the 1945 week as follows: waterworks, sewerage, bridges, highways, earthwork and darinage, commercial buildings, and public buildings.

New Capital

New capital for construction purposes this week totals $6,003,000, and is made up of State and municipal bond sales. New capital for construction purposes for the 46-week period of 1946 totals $3,000,378,000, 73% more than the $1,737,749,000 reported for the corresponding period of 1945.

Electric Output for Week Ended Nov. 16, 1946 18.0% Ahead of That for Same Week Last Year

The Edison Electric Institute, in its current weekly report, estimates that the amount of electrical energy distributed by the electric light and power industry for the week ended Nov. 16, 1946, was 4,699,935,000 kwh., an increase of 18.0% over the corresponding week last year when electric output amounted to 3,984,608,000 kwh. The current figure also compares with 4,682,085,000 kwh., produced in the week ended Nov. 9, 1946, which was 18.6% higher than the 3,948,024,000 kwh., produced in the week ended Nov. 10, 1945. The largest increases were reported by the Southern States and Pacific States groups which showed increases of 28.3% and 26.5%, respectively, over the same week in 1945.

PERCENTAGE INCREASE OVER SAME WEEK LAST YEAR

Major Georgraphical Division—	Week Ended— Nov. 16	Nov 9	Nov. 2	Oct. 26	Oct. 19
New England	10.6	11.7	12.4	8.3	10.9
Middle Atlantic	9.0	9.7	10.0	7.9	9.7
Central Industrial	16.0	16.7	15.0	15.4	13.3
West Central	11.3	14.5	14.0	13.4	14.7
Southern States	28.3	28.2	31.0	31.3	28.4
Rocky Mountain	13.9	15.3	10.3	7.0	7.4
Pacific Coast	26.5	26.0	27.3	19.1	16.5
Total United States	18.0	18.6	18.7	16.9	16.0

DATA FOR RECENT WEEKS (Thousands of Kilowatt-Hours)

Week Ended—	1946	1945	% Change Over 1945	1944	1932	1929
Aug. 3	4,351,011	4,432,304	— 1.8	4,399,433	1,415,122	1,729,667
Aug. 10	4,411,717	4,395,337	+ 0.4	4,415,368	1,431,910	1,733,110
Aug. 17	4,422,242	3,939,195	+12.3	4,451,076	1,436,440	1,750,056
Aug. 24	4,444,040	4,116,049	+ 8.0	4,418,298	1,464,700	1,761,594
Aug. 31	4,404,192	4,137,313	+ 6.5	4,414,735	1,423,977	1,674,588
Sept. 7	4,184,404	3,909,408	+ 7.0	4,227,900	1,476,442	1,806,259
Sept. 14	4,521,151	4,106,187	+10.1	4,394,839	1,490,863	1,792,131
Sept. 21	4,506,988	4,018,913	+12.1	4,377,339	1,499,459	1,777,854
Sept. 28	4,517,874	4,038,542	+11.9	4,365,907	1,505,216	1,819,276
Oct. 5	4,478,092	4,028,286	+11.2	4,375,079	1,507,503	1,806,403
Oct. 12	4,495,220	3,934,394	+14.3	4,354,575	1,528,145	1,798,633
Oct. 19	4,539,712	3,914,738	+16.0	4,345,352	1,533,028	1,824,160
Oct. 26	4,601,767	3,937,420	+16.9	4,358,293	1,525,410	1,815,749
Nov. 2	4,628,353	3,899,293	+18.7	4,354,939	1,520,730	1,798,164
Nov. 9	4,682,085	3,948,024	+18.6	4,396,595	1,531,584	1,793,584
Nov. 16	4,699,935	3,984,608	+18.0	4,450,047	1,475,268	1,818,169
Nov. 23	------	3,841,350	---	4,368,519	1,510,337	1,718,002
Nov. 30	------	4,042,915	---	4,524,257	1,518,922	1,806,225

National Fertilizer Association Commodity Price Index Advances to New High Level

Wholesale commodity prices advanced on a broad front according to the commodity price index compiled by The National Fertilizer Association and made public on Nov. 18, with the index advancing to the new high level of 189.8 in the week ended Nov. 16, 1946 from 181.3 in the preceding week. The increase amounted to 4.7% and reflected the general rise due to the decontrol, announced Nov. 9, 1946, of all commodities except sugar and rice. This rise took the index 2.9% above the previous high point of 184.4 reached Oct. 26. A month ago the index stood at 178.4 and a year ago at 142.0, all based on the 1935-1939 average as 100. The Asociation's report continued as follows:

Nine of the 11 composite groups of the index advanced during the latest week and there were no declines. Some of the largest percentage gains were in the chemical and drugs group, which rose 13.8%; building materials group, which increased 10.2%; and the miscellaneous commodities group which increased 6.7%. The foods group advanced; as did the farm products group, with higher prices for cotton and livestock but lower prices for grains. Advances were also registered in the textiles, metals, fertilizer materials and fertilizer groups. Among the industrial commodities that advanced the sharpest increases were for denatured and grain alcohol, glycerine, lumber, oak flooring, cement, lime, hides, leather, steel scrap, lead and zinc.

During the week 41 price series in the index advanced and 13 declined; in the preceding week 16 advanced and 20 declined; in the second preceding week 12 advanced and 21 declined.

WEEKLY WHOLESALE COMMODITY PRICE INDEX
Compiled by The National Fertilizer Association
1935—1939=100*

% Each Group Bears to the Total Index	Group	Latest Week Nov. 16, 1946	Preceding Week Nov. 9, 1946	Month Ago Oct. 19, 1946	Year Ago Nov. 17, 1945
25.3	Foods	216.1	201.9	192.6	145.2
	Fats and Oils	293.8	279.3	245.6	146.6
	Cottonseed Oil	302.0	284.9	213.7	163.1
23.0	Farm Products	230.3	222.8	230.9	173.1
	Cotton	298.7	265.6	329.0	228.3
	Grains	201.3	214.4	218.0	167.2
	Livestock	233.7	225.1	224.0	166.6
17.3	Fuels	154.2	154.2	154.2	129.9
10.8	Miscellaneous commodities	165.1	154.8	144.7	132.8
8.2	Textiles	205.5	200.5	206.0	160.8
7.1	Metals	126.8	125.0	125.0	109.8
6.1	Building materials	203.4	184.5	178.5	154.7
1.3	Chemicals and drugs	145.9	128.2	128.2	126.2
.3	Fertilizer materials	123.3	122.5	122.5	118.2
.3	Fertilizers	125.3	125.1	125.1	119.9
.3	Farm machinery	116.6	116.6	116.5	105.0
100.0	All groups combined	189.8	181.3	178.4	142.0

*Indexes on 1926-1928 base were: Nov. 16, 1946, 147.9; Nov. 9, 1946, 141.2, and Nov. 17, 1945, 110.6.

Income Payments to Individuals in Sept. Below August Peak

Total income payments to individuals during September declined from August's peak rate but remained substantially above earlier months of this year, the Department of Commerce announced on Nov. 12.

The Department's index of income payments to individuals, which makes allowance for seasonal influences, fell to 246.4 in September from 252.1 in August (1935-39=100). Despite this sharp decline, the September index was above the war-time peak of 245.2 reached in Feb. 1945.

The Department's announcement continued:

Income payments to individuals include wages and salaries, net incomes of unincorporated business (both farm and non-farm), dividends and interest, net rents received by landlords, and other types of individual incomes. Agricultural income, the dominant element in the September decline, contracted as marketings of crops and livestock, after seasonal adjustment, reached the lowest level since 1941. However, agricultural income was as large as last year since substantially higher prices raised the value of farm products.

Other factors responsible for the September decline in total income payments were military payments and Federal civilian pay rolls, which fell as a result of further personnel cuts. Unemployment compensation payments to both veterans and non-veterans also declined in September. From June to September the major movements of income payments were determined by two components, wages-and salaries and agricultural income. Over this period wage-and-salary payments by private industry have increased from an annual rate of $87.0 billion to $91.7 billion, with the increase occurring mainly in manufacturing and trade pay rolls.

Fluctuations in agricultural income have been influenced to a great extent by livestock marketings. During July and part of August heavy marketings at high prices were responsible for large increases in agricultural income, while in September diminished marketings resulted in a decline of agricultural income below the June level.

Income payments during September were equivalent to an annual rate of $165.5 billion compared with the record annual rate of $169.3 billion in August and the full year total of $160.8 billion in 1945.

Weekly Lumber Shipments 6.8% Below Production

According to the National Lumber Manufacturers Association, lumber shipments of 415 mills reporting to the National Lumber Trade Barometer were 6.8% below production for the week ending Nov. 9, 1946. In the same week new orders of these mills were 0.1% below production. Unfilled order files of the reporting mills, amounted to 64% of stocks. For reporting softwood mills, unfilled orders are equivalent to 26 days' production at the current rate, and gross stocks are equivalent to 39 days' production.

For the year-to-date, shipments of reporting identical mills were 0.5% above production; orders were 0.2% above production.

Compared to the average corresponding week of 1935-1939, production of reporting mills was 20.0% above; shipments were 24.8% above; orders were 33.6% above. Compared to the corresponding week in 1945, production of reporting mills was 73.5% above; shipments were 71.8% above; and new orders were 76.2% above.

Wholesale Prices Unchanged for Week Ended Nov. 9, 1946, Labor Department Reports*

Average primary market prices were unchanged during the week ended Nov. 9, 1946, which preceded President Truman's general decontrol directive, said the Bureau of Labor Statistics of the U. S. Department of Labor on Nov. 14. Lower prices of livestock, meats and some dairy products offset sharp advances for some industrial products. The index of commodity prices prepared by the Bureau stood at 134.8% of the 1926 average, 7.0% higher than in mid-October and 27.0% above a year ago.

The Bureau's announcement of Nov. 14 added:

"Farm Products and Foods—Average market prices of farm products declined 0.3% chiefly because of lower quotations for most livestock. Hog prices increased with reduced shipments. Corn quotations decreased with large shipments, but wheat, oats and barley were higher, reflecting scarcity due in part to the continued box car shortage. Egg prices declined further. Prices of sweetpotatoes, apples and lemons increased while oranges were lower. Higher prices were reported for hay and seeds which were exempt from OPA control, and cotton quotations advanced following the sharp decline late in October. The group index for farm products was 3.6% higher than a month ago and 28.2% above last year.

"Lower prices for meats, butter and cheese were largely responsible for a decline of 2.0% in average prices of foods. Meat prices have dropped nearly 20% from the peak level of three weeks ago immediately following decontrol. Prices of cured bacon and smoked hams, still scarce, increased. Higher milk prices were allowed under marketing agreements in Chicago and New York. Cereal products, exempt from price control, average slightly higher, with sharp price increases for hominy grits and corn meal and smaller advances for wheat flour. Prices of some canned fruits and vegetables increased, and there were advances for a number of other foods exempt from OPA control, including oleo oil, edible tallow, cocoa beans, grape juice and soda water. Prices of lard and refined corn oil were lower. On the average food prices were 18.0% higher than four weeks ago and 51.9% higher than for the corresponding week of last year.

"Other Commodities—Sharp price advances for hides and leather, some fats and oils and fatty acids, following decontrol of these items, and for paints, were chiefly responsible for a rise of 1.3% in the group index for all commodities other than farm products and foods. Domestic hide quotations, which had been below world prices, more than doubled. Prices of cocoanut oil and stearic acid jumped sharply and there was a further advance for inedible tallow. Increases for paints followed substantial ceiling adjustments to cover higher costs of linseed oil. There were further advances for shop lumber under increased ceilings. Prices of some cotton and woolen products increased, reflecting earlier ceiling adjustments. Quotations for raw jute rose sharply with higher prices in India and burlap, removed from OPA control, was up more than 75%. Prices of cattle feed dropped with increased supplies of corn. Price declines were reported for gasoline and mercury. Dinnerware prices were higher.

CHANGES IN WHOLESALE PRICES BY COMMODITY GROUPS
FOR WEEK ENDED NOV. 9, 1946
(1926=100)

Commodity Groups—	11-9 1946	11-2 1946	10-26 1946	10-12 1946	11-10 1945	Percentage changes to Nov. 9, 1946, from— 11-2 1946	10-12 1946	11-10 1945
All commodities	134.8	134.8	135.9	126.0	106.1	0	+ 7.0	+27.0
Farm products	166.0	166.5	170.1	160.2	129.5	— 0.3	— 3.6	+28.2
Foods	162.5	165.9	169.9	137.7	107.0	— 2.0	+18.0	+51.9
Hides and leather products	158.7	143.3	143.3	141.3	119.1	+10.7	+12.3	+33.2
Textile products	130.2	127.3	126.5	126.1	100.5	+ 2.3	+ 3.3	+29.6
Fuel and lighting materials	94.7	94.8	95.0	95.0	84.5	— 0.1	— 0.3	+12.1
Metals and metal products	114.4	114.4	114.4	114.2	105.3	0	+ 0.2	+ 8.6
Building materials	140.0	137.4	134.2	134.1	118.6	+ 1.9	+ 4.4	+18.0
Chemicals and allied products	110.2	103.5	99.5	98.8	95.5	+ 6.5	+11.5	+15.4
Housefurnishings goods	117.5	117.3	115.9	115.3	106.4	+ 0.2	+ 1.9	+10.4
Miscellaneous commodities	104.9	105.4	103.7	102.2	94.6	— 0.5	+ 2.6	+10.9
Special Groups—								
Raw materials	152.2	150.9	153.0	146.3	118.6	+ 0.9	+ 4.0	+28.3
Semi-manufactured	122.4	120.6	117.7	117.1	96.8	+ 1.5	+ 4.5	+26.4
Manufactured products	129.5	130.4	131.7	118.6	102.2	— 0.7	+ 9.2	+26.7
All commodities other than farm products	128.0	127.9	128.5	118.4	101.0	+ 0.1	+ 8.1	+26.7
All commodities other than farm products and foods	115.5	114.0	113.1	112.6	100.2	+ 1.3	+ 2.6	+15.3

PERCENTAGE CHANGES IN SUBGROUP INDEXES FROM
NOV. 2, 1946 TO NOV. 9, 1946

Increases			
Hides and skins	48.9	Other farm products	1.0
Oils and fats	34.7	Cereal products	0.7
Other textile products	17.4	Cotton goods	0.4
Paint and paint materials	9.4	Lumber	0.4
Leather	6.5	Furnishings	0.2
Clothing	2.5	Iron and steel	0.2
Woolen and worsted goods	1.7	Fruits and vegetables	0.1
Chemicals	1.0	Other foods	0.1
Decreases			
Cattle feed	4.9	Petroleum and products	0.4
Meats	4.8	Agricultural implements	0.1
Dairy products	2.6	Grains	0.1
Livestock and poultry	1.9	Nonferrous metals	0.1

*Based on the BLS weekly index of prices of approximately 900 commodities which measures changes in the general level of primary market commodity prices. This index should be distinguished from the daily index of 28 basic materials. For the most part, the prices are those charged by manufacturers or producers or are those prevailing on commodity exchanges. The weekly index is calculated from one-day-a-week prices. It is designed as an indicator of week-to-week changes and should not be compared directly with the monthly index.

Moody's Common Stock Yields

For yields in prior years see the following back issues of the "Chronicle": 1941 yields (also annually from 1929), Jan. 11, 1942, page 2218; 1942 levels, Jan. 14, 1943, page 202; 1943 yields, March 16, 1944, page 1130; 1944 yields, Feb. 1, 1945, page 558; 1945 yields, Jan. 17, 1946, page 299.

MOODY'S WEIGHTED AVERAGE YIELD OF 200 COMMON STOCKS

	Industrials (125)	Railroads (25)	Utilities (25)	Banks (15)	Insurance (10)	Average Yield (200)
January, 1946	3.4	4.5	3.8	3.4	2.9	3.5
February, 1946	3.6	5.1	4.0	3.7	3.0	3.8
March, 1946	3.4	5.1	4.0	3.6	3.0	3.6
April, 1946	3.3	5.1	3.9	3.6	3.0	3.5
May, 1946	3.2	4.5	3.7	3.7	3.0	3.4
June, 1946	3.4	4.8	3.9	3.7	3.1	3.5
July, 1946	3.5	5.2	3.9	3.7	3.2	3.7
August, 1946	3.8	5.6	4.2	3.8	3.2	3.9
September, 1946	4.1	6.5	4.6	4.0	3.6	4.4
October, 1946	4.3	6.3	4.7	3.9	3.5	4.4

Moody's Bond Prices and Bond Yield Averages

Moody's computed bond prices and bond yield averages are given in the following table:

MOODY'S BOND PRICES
(Based on Average Yields)

1946— Daily Averages	U. S. Govt. Bonds	Avge. Corporate*	Corporate by Ratings* Aaa	Aa	A	Baa	Corporate by Groups* R. R.	P. U.	Indus.
Nov. 19	121.95	116.61	121.25	119.20	116.22	109.97	112.19	117.60	120.02
18	121.89	116.61	121.25	119.20	116.22	110.15	112.37	117.60	119.82
16	121.99	116.61	121.46	119.20	116.22	110.15	112.37	117.60	120.22
15	122.05	116.61	121.46	119.20	116.41	110.15	112.37	117.80	120.02
14	122.17	116.61	121,46	119.20	116.41	110.15	112.37	117.80	120.02
13	122.24	116.61	121.25	119.20	116.41	110.34	112.37	117.60	120.22
12	122.24	116.61	121.25	119.20	116.22	110.34	112.37	117.60	120.02
11	Stock	Exchange	Closed						
9	122.20	116.61	121.25	119.20	116.22	110.34	112.37	117.60	120.02
8	122.17	116.61	121.25	119.20	116.22	110.34	112.37	117.60	120.02
7	122.17	116.61	121.25	119.20	116.22	110.34	112.37	117.60	120.02
6	122.14	116.61	121.25	119.20	116.22	110.34	112.37	117.60	120.02
5	Stock	Exchange	Closed						
4	122.20	116.61	121.04	119.20	116.22	110.34	112.37	117.60	120.02
2	122.14	116.61	121.04	119.20	116.22	110.15	112.19	117.60	120.02
1	122.14	116.41	121.04	119.20	116.02	110.15	112.19	117.60	119.82
Oct. 25	121.77	116.61	121.04	119.20	116.22	110.34	112.19	117.60	120.02
18	121.43	116.61	121.04	119.20	116.22	110.34	112.37	117.80	120.02
11	121.08	116.41	120.84	119.00	116.22	110.15	112.19	117.60	119.82
4	121.05	116.61	121.25	119.00	116.61	110.34	112.56	117.80	119.82
Sept. 27	121.08	116.61	121.04	119.00	116.61	110.15	112.37	117.80	119.82
20	121.14	116.61	121.04	119.00	116.61	110.52	112.75	117.80	119.61
13	121.80	117.20	121.46	119.41	117.00	111.44	113.89	118.00	120.22
6	122.52	118.00	122.29	120.02	117.80	112.19	114.46	118.60	120.84
Aug. 30	122.92	118.40	122.71	120.43	118.00	112.37	114.85	118.80	121.25
23	123.30	118.40	122.92	120.84	118.20	112.37	115.04	119.00	121.46
16	123.49	118.40	122.92	120.63	118.20	112.37	115.24	119.00	121.25
9	123.49	118.60	123.13	120.84	118.20	112.56	115.24	119.00	121.46
2	123.45	118.60	123.13	120.84	118.20	112.56	115.43	119.00	121.25
July 26	123.77	118.60	123.13	121.04	118.40	112.56	115.63	119.20	121.46
June 28	124.11	118.80	123.34	121.25	118.40	112.56	116.02	119.20	121.46
May 31	123.09	118.80	122.92	121.46	118.40	112.56	116.22	119.00	121.04
Apr. 26	124.33	119.00	123.34	121.25	118.40	113.12	116.41	119.41	121.04
Mar. 29	125.61	119.82	123.99	122.29	119.41	114.27	117.40	120.22	122.09
Feb. 21	126.02	120.22	123.34	121.88	119.00	114.27	116.41	120.22	122.09
Jan. 25	126.28	119.00	123.12	121.25	119.00	113.31	115.63	119.41	122.09
High 1946	126.28	120.02	124.20	122.50	119.61	114.46	117.60	120.43	122.50
Low 1946	120.70	116.41	120.84	118.80	116.02	109.97	112.00	117.60	119.61
1 year Ago Nov. 19, 1945	123.45	116.80	120.84	119.61	116.80	110.52	113.50	117.00	120.22
2 Years Ago Nov. 18, 1944	119.97	112.93	118.60	117.20	113.12	103.64	107.80	113.50	117.60

MOODY'S BOND YIELD AVERAGES
(Based on Individual Closing Prices)

1946— Daily Averages	U. S. Govt. Bonds	Avge. Corporate*	Corporate by Ratings* Aaa	Aa	A	Baa	Corporate by Groups* R. R.	P. U.	Indus.
Nov. 19	1.58	2.82	2.59	2.69	2.84	3.17	3.05	2.77	2.65
18	1.59	2.82	2.59	2.69	2.84	3.16	3.04	2.77	2.66
16	1.58	2.82	2.58	2.69	2.84	3.16	3.04	2.77	2.64
15	1.58	2.82	2.58	2.69	2.83	3.16	3.04	2.76	2.65
14	1.57	2.82	2.58	2.69	2.83	3.16	3.04	2.76	2.65
13	1.56	2.82	2.59	2.69	2.83	3.15	3.04	2.77	2.64
12	1.56	2.82	2.59	2.69	2.84	3.15	3.04	2.77	2.65
11	Stock	Exchange	Closed						
9	1.56	2.82	2.59	2.69	2.84	3.15	3.04	2.77	2.65
8	1.57	2.82	2.59	2.69	2.84	3.15	3.04	2.77	2.65
7	1.57	2.82	2.59	2.69	2.84	3.15	3.04	2.77	2.65
6	1.57	2.82	2.59	2.69	2.84	3.15	3.04	2.77	2.65
5	Stock	Exchange	Closed						
4	1.56	2.82	2.60	2.69	2.84	3.15	3.04	2.77	2.65
2	1.57	2.82	2.60	2.69	2.84	3.16	3.05	2.77	2.65
1	1.57	2.83	2.60	2.69	2.85	3.16	3.05	2.77	2.66
Oct. 25	1.60	2.82	2.60	2.69	2.84	3.15	3.05	2.77	2.65
18	1.63	2.82	2.60	2.69	2.84	3.15	3.04	2.76	2.65
11	1.65	2.83	2.61	2.70	2.84	3.16	3.05	2.77	2.66
4	1.65	2.82	2.59	2.70	2.82	3.15	3.03	2.76	2.66
Sept. 27	1.65	2.82	2.60	2.70	2.82	3.16	3.04	2.76	2.66
20	1.65	2.82	2.60	2.70	2.82	3.14	3.02	2.76	2.67
13	1.63	2.79	2.58	2.68	2.80	3.09	2.96	2.75	2.64
6	1.58	2.75	2.54	2.65	2.76	3.05	2.93	2.72	2.61
Aug. 30	1.55	2.73	2.52	2.63	2.75	3.04	2.91	2.71	2.59
23	1.52	2.73	2.51	2.61	2.74	3.04	2.90	2.70	2.58
16	1.51	2.73	2.51	2.62	2.74	3.04	2.89	2.70	2.59
9	1.51	2.72	2.50	2.61	2.74	3.03	2.89	2.70	2.58
2	1.51	2.72	2.50	2.61	2.74	3.03	2.88	2.70	2.59
July 26	1.49	2.73	2.50	2.60	2.73	3.03	2.87	2.69	2.58
June 28	1.47	2.71	2.49	2.59	2.73	3.03	2.85	2.69	2.58
May 31	1.48	2.71	2.51	2.58	2.73	3.03	2.84	2.70	2.60
Apr. 26	1.45	2.70	2.49	2.59	2.73	3.00	2.83	2.68	2.60
Mar. 29	1.36	2.66	2.46	2.54	268	2.94	2.78	2.64	2.55
Feb. 21	1.33	2.67	2.49	2.56	2.70	2.94	2.83	2.64	2.55
Jan. 25	1.31	2.70	2.50	2.59	2.70	2.99	2.87	2.68	2.55
High 1946	1.68	2.83	2.61	2.71	2.85	3.17	3.06	2.77	2.67
Low 1946	1.31	2.65	2.45	2.53	2.67	2.93	2.77	2.63	2.53
1 year Ago Nov. 19, 1945	1.51	2.81	2.61	2.67	2.81	3.14	2.98	2.80	2.64
2 Years Ago Nov. 18, 1944	1.84	3.01	2.72	2.79	3.00	3.53	3.29	2.98	2.77

*These prices are computed from average yields on the basis of one "typical" bond (3¾% coupon, maturing in 25 years) and do not purport to show either the average level or the average movement of actual price quotations. They merely serve to illustrate in a more comprehensive way the relative levels and the relative movement of yield averages, the latter being the true picture of the bond market.

NOTE—The list used in compiling the averages was given in the Sept. 5, 1946 issue of the "Chronicle" on page 1321.

Bank Debits for Month of October

The Board of Governors of the Federal Reserve System issued on Nov. 13 its usual monthly summary of "bank debits" which we give below:

SUMMARY BY FEDERAL RESERVE DISTRICTS
(In millions of dollars)

Federal Reserve District—	Oct. 1946	Oct. 1945	3 Months Ended Oct. 1946	Oct. 1945
Boston	4,096	3,610	11,422	10,144
New York	36,861	37,346	103,834	99,657
Philadelphia	3,968	3,457	11,269	9,559
Cleveland	5,830	4,667	16,752	13,624
Richmond	3,757	3,082	10,651	8,657
Atlanta	3,620	2,694	9,894	7,582
Chicago	13,257	10,870	37,093	31,090
St. Louis	2,867	2,254	7,765	6,189
Minneapolis	2,096	1,689	5,970	4,778
Kansas City	3,213	2,539	9,097	7,581
Dallas	2,956	2,199	8,408	6,332
San Francisco	8,795	7,209	25,135	20,801
Total, 334 centers	91,315	81,616	257,295	225,993
*New York City	33,913	34,984	95,526	92,917
*140 other centers	47,670	39,006	134,507	111,491
193 other centers	9,733	7,626	27,262	21,585

*Included in the national series covering 141 centers, available beginning in 1919.

Congress Steering Committees Map Plans

The House Republican Steering Committee, presided over by Representative Joseph W. Martin, Jr., of Massachusetts, who is slated to become House Speaker in the new Congress, met on Nov. 14 to plan policy and legislative action for the incoming Republican-controlled legislative body, according to a dispatch from Washington by the Associated Press. Foremost in the program agreed upon was a reduction of 20% in individual income taxes, a limitation of eight years upon the President's tenure of office and "constructive" labor legislation. The group also called for:

"Substantial savings on a practical basis.

"Elimination of governmental controls and termination of Presidential war powers as rapidly as 'practicable.'

"Investigation of the housing program and removal of 'restraints now holding up proper progress.'

"'The quickest possible comprehensive recommendation' for relief from shortages in sugar, soap, fats, oils and foods.

"Close adherence to the Congressional Reorganization Act 'with appreciation of the fact that it might demand clarification and improvement.'"

Other tax rates to be readjusted, besides the individual income tax, will be studied by the Ways and Means Committee after Congress convenes, Representative Martin stated.

The committee directed other regular standing committees of the House to make studies and prepare all legislation necessary to put its rememmendations into effect.

The following remarks were issued by the committee regarding labor legislation:

"The committee was in full agreement that labor legislation which will be constructive, but emphatically not punitive, is an early necessity in the 80th Congress. The first consideration must be the welfare of the whole nation, which will necessarily embrace the welfare of both labor and management."

The steering committee went on to say that early next year legislation will be introduced to limit to two four-year terms the tenure of any individual in the Presidency.

In the Senate, Chairman Robert A. Taft (R.-Ohio) of the steering committee reported that "progress" had been made during an inconclusive three-hour session, but without any actual decisions.

Moody's Daily Commodity Index

Tuesday, Nov. 12, 1946	361.3
Wednesday, Nov. 13	370.5
Thursday, Nov. 14	373.5
Friday, Nov. 15	374.1
Saturday, Nov. 16	373.9
Monday, Nov. 18	375.1
Tuesday, Nov. 19	376.1
Two weeks ago, Nov. 4	357.5
Month ago, Oct. 19	348.7
Year ago, Nov. 19, 1945	263.8
1945 High, Dec. 27	265.0
Low, Jan. 24	252.1
1946 High, Nov. 18	375.1
Low, Jan. 2	264.7

Hulten Named Deputy

During the absence from the United States of Assistant Secretary of State William Benton, who is to attend the forthcoming meeting in Paris of the United Nations Educational, Scientific and Cultural Organization, Charles M. Hulten, will serve as his deputy. Mr. Hulten, whose appointment was announced on Nov. 14, according to a dispatch from Washington to the New York "Times," has been deputy director of the Office of International Information and Cultural Affairs in the State Department.

Daily Average Crude Oil Production for Week Ended Nov. 9, 1946, Increased 20,900 Bbls.

The American Petroleum Institute estimates that the daily average gross crude oil production for the week ended Nov. 9, 1946, was 4,779,450 barrels, or a gain of 20,900 barrels per day over the preceding week and an increase of 328,250 barrels per day over the corresponding week of 1945. The daily average figure, as estimated by the United States Bureau of Mines as the requirement for the month of November, 1946, was 4,730,000 barrels. Daily output for the four weeks ended Nov. 9, 1946, averaged 4,750,100 barrels. The Institute's statement follows:

Reports received from refining companies indicate that the industry as a whole ran to stills on a Bureau of Mines basis approximately 4,714,000 barrels of crude oil daily and produced 15,001,000 barrels of gasoline; 1,901,000 barrels of kerosine; 5,401,000 barrels of distillate fuel, and 7,503,000 barrels of residual fuel oil during the week eded Nov. 9, 1946; and had in storage at the end of the week 86,963,000 barrels of finished and unfinished gasoline; 21,651,000 barrels of kerosine; 67,286,000 barrels of distillate fuel, and 61,340,000 barrels of residual fuel oil.

DAILY AVERAGE CRUDE OIL PRODUCTION (FIGURES IN BARRELS)

	*B. of M. Calculated Requirements November	State Allowables Begin. Nov. 1	Actual Production Week Ended Nov. 9 Week	Change from Previous Week	4 Weeks Ended Nov. 9, 1946	Week Ended Nov. 10, 1945
**New York-Penna.	48,200		48,900	— 5,450	51,150	46,250
Florida			----	----	----	150
**West Virginia	8,400		7,700	— 150	8,100	7,700
**Ohio—Southeast }	7,600		5,950	+ 50	5,750	4,200
Ohio—Other }			2,200	— 450	2,450	3,300
Indiana	19,000		19,400	+ 450	18,950	13,900
Illinois	212,000		206,800	— 5,400	206,950	207,200
Kentucky	29,000		30,150	----	30,150	28,900
Michigan	46,000		45,000	— 3,850	46,300	47,200
Nebraska	800		†750	----	750	750
Kansas	263,000	270,000	†267,400	—11,700	273,500	243,800
Oklahoma	383,000	362,825	†363,250	+ 800	358,800	390,150
Texas—						
District I			19,000	— 450	19,350	----
District II			147,200	+ 2,400	145,400	----
District III			464,300	+ 15,000	453,050	----
District IV			226,350	+ 12,050	217,300	----
District V			36,850	— 2,950	39,050	----
East Texas			324,000	+ 8,000	318,000	----
Other Dist. VI			105,050	+ 2,600	103,100	----
District VII-B			35,300	+ 1,800	33,950	----
District VII-C			29,500	+ 2,050	27,950	----
District VIII			512,750	+ 28,100	491,650	----
District IX			121,400	— 8,300	127,650	----
District X			80,550	— 4,400	83,850	----
Total Texas	2,090,000	†2,108,166	2,102,250	+ 55,900	2,060,300	1,894,200
North Louisiana			91,500	+ 700	89,950	74,150
Coastal Louisiana			309,350	+ 3,750	306,550	293,650
Total Louisiana	382,000	440,000	400,850	+ 4,450	396,500	367,800
Arkansas	77,000	79,804	73,950	+ 450	73,500	76,100
Mississippi	60,000		77,300	+ 50	76,700	53,500
Alabama	2,000		1,000	----	1,050	550
New Mexico—So. East }	99,000	108,000	100,500	+ 1,400	99,450	93,800
New Mexico—Other }			500	+ 50	450	400
Wyoming	97,000		106,150	— 3,450	108,950	95,500
Montana	24,000		23,550	+ 200	23,950	19,550
Colorado	32,000		35,800	— 2,950	37,650	21,400
California	850,000	§843,700	860,100	— 9,500	868,750	834,900
Total United States	4,730,000		4,779,450	+ 20,900	4,750,100	4,451,200
**Pennsylvania Grade (included above)			62,550	— 5,550	65,000	58,150

*These are Bureau of Mines calculations of the requirements of domestic crude oil (after deductions of condensate and natural gas derivatives) based upon certain premises outlined in its detailed forecast for the month of November. As requirements may be supplied either from stocks or from new production, contemplated withdrawals from crude oil inventories must be deducted from the Bureau's estimated requirements to determine the amount of new crude to be produced.

†Oklahoma, Kansas, Nebraska figures are for week ended 7:00 a.m., Nov. 7, 1946.

‡This is the net basic allowable as of Nov. 1 calculated on a 30-day basis and includes shutdowns and exemptions for the entire month. With the exception of several fields which were exempted entirely and of certain other fields for which shutdowns were ordered for from 5 to 10 days, the entire State was ordered shut down for 5 days, no definite dates during the month being specified; operators only being required to shut down as best suits their operating schedules or labor needed to operate leases, a total equivalent to 5 days shutdown time during the calendar month.

§Recommendation of Conservation Committee of California Oil Producers.

CRUDE RUNS TO STILLS; PRODUCTION OF GASOLINE; STOCKS OF FINISHED AND UNFINISHED GASOLINE, KEROSINE, GAS OIL AND DISTILLATE FUEL AND RESIDUAL FUEL OIL, WEEK ENDED NOV. 9, 1946

(Figures in thousands of barrels of 42 gallons each)

Figures in this section include reported totals plus an estimate of unreported amounts and are therefore on a Bureau of Mines basis

District—	% Daily Refin'g Capac. Report'g	Crude Runs to Stills Daily Av.	% Operated	§Gasoline Product'n at Ref. Inc. Nat. Blended	‡Finish'd and Unfin. Gasoline Stocks	‡Stocks of Kerosine	‡Stks. of Gas Oil & Dist. Fuel Oil	‡Stks. of Resid. Fuel Oil
East Coast	99.5	720	85.8	1,769	19,935	9,431	24,884	12,550
Appalachian—								
District No. 1	76.3	98	68.5	323	2,377	505	617	397
District No. 2	84.7	54	87.1	203	796	64	137	257
Ind., Ill., Ky.	87.4	798	91.7	2,919	15,122	2,650	8,804	5,715
Okla., Kans., Mo.	78.3	376	80.2	1,345	8,363	1,409	3,511	1,339
Inland Texas	59.8	227	68.8	986	3,048	497	619	862
Texas Gulf Coast	89.2	1,146	93.5	3,401	13,779	4,050	11,221	7,598
Louisiana Gulf Coast	97.4	326	101.6	1,178	4,190	1,678	3,927	2,321
No. La. & Arkansas	55.9	64	50.8	166	1,752	380	493	201
Rocky Mountain—								
District No. 3	19.0	11	84.6	32	79	15	41	40
District No. 4	70.9	114	69.1	391	1,420	194	546	643
California	85.5	780	78.5	2,288	16,102	728	12,486	29,417
Total U. S. B. of M. basis Nov. 9, 1946	85.9	4,714	84.8	15,001	*86,963	21,651	67,286	61,340
Total U. S. B. of M. basis Nov. 2, 1946	85.8	4,769	85.8	14,594	85,930	21,510	65,943	61,636
U. S. B. of M. basis Nov. 10, 1945		4,696		15,338	†78,978	12,470	46,143	46,193

*Includes unfinished gasoline stocks of 8,552,000 barrels. †Includes unfinished gasoline stocks of 8,830,000 barrels. ‡Stocks at refineries, at bulk terminals, in transit and in pipe lines. §In addition, there were produced 1,901,000 barrels of kerosine, 5,401,000 barrels of gas oil and distillate fuel oil and 7,503,000 barrels of residual fuel oil during the week ended Nov. 9, 1946, which compares with 1,948,000 barrels, 5,371,000 barrels and 7,434,000 barrels, respectively, in the preceding week and 1,726,000 barrels, 4,732,000 barrels and 8,761,000 barrels, respectively, in the week ended Nov. 10, 1945.

Federal Reserve September Business Indexes

The Board of Governors of the Federal Reserve System issued on Oct. 25 its monthly indexes of industrial production, factory employment and payrolls, etc. The Board's customary summary of business conditions was made public at the same time. The indexes for September together with comparison for a month and a year ago follow:

BUSINESS INDEXES

1939 average = 100 for factory employment and payrolls;
1923-25 average = 100 for construction contracts;
1935-39 average = 100 for all other series

	Adjusted for Seasonal Variation 1946 Sept.	1946 Aug.	1945 Sept.	Without Seasonal Adjustment 1946 Sept.	1946 Aug.	1945 Sept.
Industrial production—						
Total	*177	177	167	*182	179	171
Manufactures—						
Total	*183	183	173	*188	185	177
Durable	*211	207	194	*212	208	195
Nondurable	*161	163	156	*168	166	161
Minerals	*145	143	134	*148	147	137
Construction contracts, value—						
Total	†	158	69	†	164	70
Residential	†	157	26	†	155	26
All other	†	158	104	†	171	105
Factory employment—						
Total	*145.5	143.8	127.8	*146.3	145.0	128.5
Durable goods	*168.8	165.8	144.8	*169.0	166.1	144.9
Nondurable goods	*127.1	126.5	114.5	*128.4	128.4	115.6
Factory payrolls—						
Total	---	---	---	†	277.8	224.2
Durable goods	---	---	---	†	306.0	246.2
Nondurable goods	---	---	---	†	250.3	202.6
Freight carloadings	138	141	127	149	145	137
Department store sales, value—	*269	290	202	*277	242	209
Department store stocks, value	†	221	166	†	237	184

*Preliminary. †Data not yet available.

Note—Production, carloading, and department store sales indexes based on daily averages. To convert durable manufactures, nondurable manufactures, and minerals indexes to points in total index, shown in Federal Reserve Chart Book, multiply durable by .379, nondurable by .469, and minerals by .152.

Construction contract indexes based on 3-month moving averages, centered at second month, of F. W. Dodge data for 37 Eastern States. To convert indexes to value figures, shown in the Federal Reserve Chart Book, multiply total by $410,269,000, residential by $184,137,000, and all other by $226,132,000.

Employment index, without seasonal adjustment, and payrolls index compiled by Bureau of Labor Statistics.

INDUSTRIAL PRODUCTION

(1935-39 average = 100)

MANUFACTURES	Adjusted for Seasonal Variation 1946 Sept.	1946 Aug.	1945 Sept.	Without Seasonal Adjustment 1946 Sept.	1946 Aug.	1945 Sept.
Iron and steel	184	183	163	184	183	163
Pig iron	184	186	166	184	186	166
Steel	195	195	171	195	195	171
Open hearth	172	169	154	172	169	154
Electric	359	381	296	359	381	296
Machinery	*257	251	230	*257	251	230
Transportation equipment	*247	241	273	*247	241	273
‡Automobiles	*188	182	105	*188	182	105
Nonferrous metals and products	*160	154	139	*160	154	139
Smelting and refining	*144	138	150	*145	138	150
Lumber and products	*135	134	98	*145	143	104
Lumber	*127	126	89	*142	140	98
Furniture	*152	150	115	*152	150	115
Stone, clay and glass products	*201	196	161	*208	203	166
Plate glass	161	114	79	161	114	79
Cement	†	159	97	†	179	112
Clay products	*150	150	110	*155	155	114
Gypsum and plaster products	*212	212	172	*215	213	176
Abrasive and asbestos prod.	*224	240	220	*244	240	220
Textile and products	*165	162	144	*165	162	144
Cotton consumption	153	149	138	153	149	138
Rayon deliveries	236	233	215	236	233	215
Wool textiles	†	173	142	†	173	142
Leather products	†	120	119	†	119	118
Tanning	†	101	112	†	100	110
Cattle hide leathers	†	119	125	†	115	123
Calf and kip leathers	†	70	97	†	73	95
Goat and kid leathers	†	49	52	†	47	52
Sheep and lamb leathers	†	124	151	†	127	148
Shoes	†	132	123	†	132	123
Manufactured food products	*134	146	144	*161	164	166
Wheat flour	*128	131	127	*140	130	139
Meatpacking	*39	138	141	*38	122	134
Other manufactured foods	*148	151	146	*183	173	176
Processed fruits and veg.	*134	157	109	*295	258	242
Paper and products	†	148	143	†	147	144
Paperboard	172	169	165	172	169	165
Newsprint production	87	83	81	87	82	81
Printing and publishing	*126	129	109	*126	123	110
Newsprint consumption	117	123	93	119	111	94
Petroleum and coal products	†	†	184	†	†	184
Petroleum refining	---	---	---	---	---	---
Gasoline	*145	149	132	*145	149	132
Fuel oil	†	164	151	†	164	151
Lubricating oil	†	152	119	†	151	119
Kerosene	†	162	116	†	155	115
Coke	†	165	152	†	165	152
Byproduct	†	159	150	†	159	150
Beehive	*361	368	224	*361	368	224
Chemicals	*234	236	239	*235	232	239
Rayon	*263	259	237	*263	259	237
Industrial chemicals	*403	398	286	*403	398	386
Rubber	*222	219	172	*222	219	172
MINERALS						
Fuels	*151	150	139	*151	150	139
Bituminous coal	*163	156	148	*163	156	148
Anthracite	*125	120	114	*125	120	114
Crude petroleum	*149	151	138	*149	151	138
Metals	†	103	106	†	129	123
Iron ore	---	---	---	†	282	281

*Preliminary or estimated. †Data not yet available.

‡This series is currently based upon man-hour statistics for plants classified in the automobile and automobile parts industries and is designed to measure work done during the month in connection with assembly of passenger cars, trucks, trailers, and buses; production of bodies, parts and accessories, including replacement parts; and output of non-automotive products made in the plants covered. Recently the level shown by this series has been much higher relative to prewar than the level shown by factory sales of new passenger cars and trucks. The difference is accounted for in part by a sharp increase in production of replacement parts and by other changes in the composition of output. It appears, however, that the series overstates the current level of total output in these industries. Study is being made of production and man-hour statistics in an endeavor to arrive at a more accurate measure of overall production in these industries.

FREIGHT CARLOADINGS

(1935-39 average = 100)

Coal	160	152	143	160	152	143
Coke	183	184	155	181	177	154
Grain	125	131	§145	140	142	163
Livestock	91	118	114	120	113	150
Forest products	154	157	125	166	165	135
Ore	164	162	174	245	243	261
Miscellaneous	139	145	126	150	146	136
Merchandise, l.c.l.	75	77	66	79	77	69

§Revised.

NOTE—To convert coal and miscellaneous indexes to points in total index, shown in Federal Reserve Chart Book, multiply coal by .213 and miscellaneous by .548.

Unemployment Insur. Called Depress'n Brake

Estimates of the Social Security Administration conclude that various state funds have enough money to pay 63.5% of the 28,000,000 workers insured under the system the full amount of benefits their state laws allow. Arthur J. Altmeyer, Social Security Commissioner, while pointing out that no one expects that that number of workers, two out of three, would ever become jobless at the same time, declared on Nov. 12 that "we have a system ready and functioning to meet any situation which might arise." The country's employment insurance fund of nearly $7,000,000,000, Mr. Altmeyer asserted, according to Washington advices from the Associated Press, would serve as an effective brake against any widespread depression.

With that amount of emergency purchasing power available to workers, Altmeyer told a reporter he doubts that any post-war economic shakedown could mushroom into the proportions of the 1929-33 break.

While emphasizing that he is siding neither with those economists who look for at least a temporary recession next year nor with those who say the country is in for a long period of prosperity, the social security chief said that he believes "the healthy accumulation of reserves in the fund" will:

1. Tend to help prevent a depression from occurring, because people know the money is there waiting for workers who lose their jobs.
2. Prevent any really serious depression, because payments from the fund will tend to bolster purchasing power just when it begins to decline dangerously.

Jobless payments helped many workers tide themselves over the early reconversion hump last winter. From a low of $8,296,000 in June, 1945, these payments jumped month by month after V-J day to a peak of $135,621,000 in February, 1946. Then they began falling again rapidly as employment bounced back to near wartime peaks.

Wool Talks Start, US Delegates Confirmed

The American delegates to the International Wool Talks commencing in London Nov. 11, at which 13 wool producer and consumer nations besides Great Britain are represented, were approved by President Truman on Nov. 4, according to an announcement by Secretary of State Byrnes which was reported from Washington in a dispatch to the New York "Times." The dispatch stated that this country's delegates are:

Chairman — Donald Kennedy, chief, International Resources Division, State Department. Advisers —Floyd Davis, acting head, Division of Livestock and Wool, Office of Foreign Agricultural Relations, Agriculture Department; Clarence Nichols, assistant chief, International Resources Division, State Department; Paul Nyhus, Agricultural attache, American Embassy, London; Preston Richards, assistant director, Livestock Branch, Production and Marketing Administration, Agriculture Department; Robert Schwenger, special assistant to the director, Office of Foreign Agricultural Relations, Agriculture Department.

The countries represented in addition to the United States and Great Britain are Argentina, Australia, Belgium, Canada, China, France, India, Italy, New Zealand, Russia, South Africa, and Uruguay.

Trading on New York Exchanges

The Securities and Exchange Commission made public on Nov. 13 figures showing the volume of total round-lot stock sales on the New York Stock Exchange and the New York Curb Exchange and the volume of round-lot stock transactions for the account of all members of these exchanges in the week ended Oct. 26, continuing a series of current figures being published weekly by the Commission. Short sales are shown separately from other sales in these figures.

Trading on the Stock Exchange for the account of members (except odd-lot dealers) during the week ended Oct. 26 (in round-lot transactions) totaled 1,787,555 shares, which amount was 17.67% of the total transactions on the Exchange of 5,061,450 shares. This compares with member trading during the week ended Oct. 19 of 2,972,000 shares, or 17.43% of the total trading of 8,532,160 shares.

On the New York Curb Exchange, member trading during the week ended Oct. 26 amounted to 335,565 shares or 15.52% of the total volume on that Exchange of 1,080,790 shares. During the week ended Nov. 19 trading for the account of Curb members of 608,645 shares was 16.11% of the total trading of 1,888,810 shares.

Total Round-Lot Stock Sales on the New York Stock Exchange and Round-Lot Stock Transactions for Account of Members* (Shares)

WEEK ENDED OCT. 26, 1946

	Total for Week	†%
A. Total Round-Lot Sales:		
Short sales	210,290	
‡Other sales	4,851,160	
Total sales	5,061,450	
B. Round-Lot Transactions for Account of Members, Except for the Odd-Lot Accounts of Odd-Lot Dealers and Specialists:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	610,110	
Short sales	113,050	
‡Other sales	442,610	
Total sales	555,660	11.52
2. Other transactions initiated on the floor—		
Total purchases	95,240	
Short sales	14,400	
‡Other sales	115,600	
Total sales	130,000	2.23
3. Other transactions initiated off the floor—		
Total purchases	162,870	
Short sales	30,830	
‡Other sales	202,845	
Total sales	233,675	3.92
4. Total—		
Total purchases	868,220	
Short sales	158,280	
‡Other sales	761,055	
Total sales	919,335	17.67

Total Round-Lot Stock Sales on the New York Curb Exchange and Stock Transactions for Account of Members* (Shares)

WEEK ENDED OCT. 26, 1946

	Total for Week	†%
A. Total Round-Lot Sales:		
Short sales	21,825	
‡Other sales	1,058,965	
Total sales	1,080,790	
B. Round-Lot Transactions for Account of Members:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	119,385	
Short sales	15,485	
‡Other sales	94,170	
Total sales	109,655	10.60
2. Other transactions initiated on the floor—		
Total purchases	12,300	
Short sales	1,800	
‡Other sales	13,030	
Total sales	14,830	1.25
3. Other transactions initiated off the floor—		
Total purchases	42,120	
Short sales	800	
‡Other sales	36,475	
Total sales	37,275	3.67
4. Total—		
Total purchases	173,805	
Short sales	18,085	
‡Other sales	143,675	
Total sales	161,760	15.52
C. Odd-Lot Transactions for Account of Specialists—		
Customers' short sales	0	
§Customers' other sales	63,253	
Total purchases	63,253	
Total sales	55,643	

*The term "members" includes all regular and associate Exchange members, their firms and their partners, including special partners.

†In calculating these percentages the total of members' purchases and sales is compared with twice the total round-lot volume on the Exchange for the reason that the Exchange volume includes only sales.

‡Round-lot short sales which are exempted from restriction by the Commission's rules are included with "other sales."

§Sales marked "short exempt" are included with "other sales."

Non-Ferrous Metals — Decontrol Order Lifts Prices of Domestic Copper, Lead and Zinc

"E. & M. J. Metal and Mineral Markets," in its issue of Nov. 14, states: "The decontrol order on prices, issued by President Truman on Nov. 9, involving all commodities excepting sugar and rice, was unexpected so far as major non-ferrous metals were concerned, but sellers of copper, lead, zinc, tin, and antimony lost no time in raising prices to a more realistic level with a view toward eventually balancing production and consumption. Though prices are free to move, most metals have not yet returned to a normal trading basis, owing to inventory controls and allocation of supplies. As mandated in the OPA renewal Act, the government is ceasing all subsidizing of imports, tin excepted, upon removal of ceiling prices. Government imports of copper and lead, waiving duty, will continue temporarily. The Premium Price Plan will be continued on the basis of meeting the difference between production costs and market prices." The publication further went on to say in part as follows:

Copper

Kennecott advanced its domestic price of cooper on Nov. 12 to the basis of 17½c Valley. Other producers soon followed, and business was placed in good volume beginning Nov. 12 at the higher level, or at an advance of 3⅛c above the old ceiling. In effect, the new price brings the domestic quotation up close to that already established outside of this country. In the absence of the OPA ceiling, metal to be released by the government to domestic consumers will be sold hereafter on the basis of the market price obtaining on date of shipment. The government is expected to withdraw from the market entirely after the turn of the year.

So far, producers have experienced no consumer resistance to the higher price and the undertone of the market was generally viewed as firm.

Export copper showed little change, with demand for nearby metal still in excess of available supplies.

Lead

News of decontrol brought swift action by St. Joseph Lead Co. to bring the price of lead in line with the foreign market, less duty. The company announced on Nov. 11 that it had raised its quotations to 10½c, New York, and 10.35, St. Louis. The American Smelting & Refining Co. announced on the following day, Nov. 12, that its published quotation has been raised to 10½c, New York. Monday was a legal holiday in New York, with the result that the higher price did not become generally known in market circles until early on Nov. 12. Lead products were advanced by fabricators to absorb the higher cost of pig lead.

Zinc

The American Zinc, Lead & Smelting Co. raised its price of Prime Western zinc on Monday to the basis of 10½c, East St. Louis. In view of the fact that Nov. 11 was generally recognized in the local market as a holiday, other producers did not take any price action until Nov. 12. However, business was booked at the higher level, an advance of 1¼c over the former ceiling. All producers were not happy over the extent of the rise in prices, but under prevailing unsettled conditions it was accepted as a level for trading that would have to stand or fall by the verdict of the market place. The 10½c basis is virtually the equivalent of the going export market for ordinary zinc.

Cadmium

The market was strong throughout the week, but important producers maintained their selling basis at $1.25 per pound for commercial sticks. Some sellers raised their views to $1.50 per pound, and in one direction as high as $2 was asked.

Platinum

Demand for refined platinum was described as fair and quotations continued at $70 to $72 per ounce troy, the top figure ruling on sales to consumers. Most sellers regarded the market as firm. Selling pressure from outside sources has disappeared.

Antimony

Sellers of antimony lost no time in adjusting prices upward to the level obtaining in foreign markets. The leading interest, effective Nov. 12, established his quotation on the ordinary grade of antimony at 23½c, bulk basis, f.o.b. Laredo; packed in cases 23⅞c per pound. The warehouse quotation, Jersey City, was advanced to 24⅞c, for antimony packed in cases, no quantity differential.

Tin

Unlike other metals, the principal source of all tin sold in the United States under prevailing conditions is the government. Some producers of secondary tin indicated that they would sell "Grade A" tin at 70c if the consumer can get an allocation certificate from CPA. This more-or-less nominal quotation was accepted as the market price in tin circles here, beginning Nov. 12. Quite recently, it will be recalled, Metals Reserve raised its export quotation to 69½c.

On forward tin quotations were nominally as follows:

	Nov.	Dec.	Jan.
Nov. 7	52.000	52.000	52.000
Nov. 8	52.000	52.000	52.000
Nov. 9	52.000	52.000	52.000
Nov. 11		—Holiday—	
Nov. 12	70.000	70.000	70.000
Nov. 13	70.000	70.000	70.000

Chinese, or 99% tin, was nominal.

Quicksilver

Quicksilver has been in a state of price decontrol for a long time and the market's chief worry at present is whether the European producers intend to come to an understanding on merchandising their output without disrupting the industry pricewise. The foreign group met during the last week, and it was reported that an agreement has been reached. However, no word has come through on the price level at which sales will be made. This news served to steady the market, and quotations held at $90 to $94 per flask.

Silver

There were no price developments in silver during the last week. Consumers believe that they can obtain the metal from the Treasury at a shade above the prevailing open-market quotation in the event that offerings should dry up because of the general upward trend in prices of other metals. Supplies that came into the market were sufficient to satisfy current demands. The New York Official quotation continued at 90⅛c an ounce troy. London reported a quiet and unchanged market at 55½d.

DAILY PRICES OF METALS ("E. & M. J." QUOTATIONS)

	—Electrolytic Copper— Dom. Refy.	Exp. Refy.	Straits Tin, New York	—Lead— New York	St. Louis	Zinc St. Louis
Nov. 7	14.150	17.425	52.000	8.25	8.10	9.25
Nov. 8	14.150	17.430	52.000	8.25	8.10	9.25
Nov. 9	14.150	17.430	52.000	8.25	8.10	9.25
Nov. 11	Holiday	17.425		—Holiday—		
Nov. 12	17.275	17.425	70.000	10.50	10.35	10.50
Nov. 13	17.275	17.425	70.000	10.50	10.35	10.50
Average	15.400	17.427	59.200	9.150	9.000	9.750

Average prices for calendar week ended Nov. 9, are: Domestic copper f.o.b. refinery, 14.150¢; export copper f.o.b. refinery, 17.427¢; Straits tin, 52.000¢; New York lead, 8.250¢; St. Louis lead, 8.100¢, St. Louis zinc, 9.250¢; and silver, 90.125¢.

The above quotations are "E. & M. J. M. & M. M's" appraisal of the major United States markets, based on sales reported by producers and agencies. They are reduced to the basis of cash, New York or St. Louis, as noted. All prices are in cents per pound.

Copper, lead and zinc quotations are based on sales for both prompt and future deliveries; tin quotations are for prompt delivery only.

In the trade, domestic copper prices are quoted on a delivered basis: that is, delivered at consumers' plants. As delivery charges vary with the destination, the figures shown above are net prices at refineries on the Atlantic seaboard. Delivered prices in New England average 0.225c. per pound above the refinery basis.

Effective March 14, the export quotation for copper reflects prices obtaining in the open market and is based on sales in the foreign market reduced to the f.o.b refinery equivalent, Atlantic seaboard. On f.a.s. transactions we deduct 0.075c., for lighterage, etc., to arrive at the f.o.b. refinery quotation.

Quotations for copper are for the ordinary forms of wirebars and ingot bars For standard ingots an extra 0.075c. per pound is charged; for slabs 0.175c. up, and for cakes 0.225c. up, depending on weight and dimension; for billets an extra 0.95c. up, depending on dimensions and quality. Cathodes in standard sizes are sold at a discount of 0.125c per pound.

Quotations for zinc are for ordinary Prime Western brands. Contract prices for High-grade zinc delivered in the East and Middle West in nearly all instances command a premium of 1c. per pound over the current market for Prime Western but not less than 1c. over the "E. & M. J." average for Prime Western for the previous month.

Quotations for lead reflect prices obtained for common lead only.

NYSE Odd-Lot Trading

The Securities and Exchange Commission made public on Nov. 13 a summary of complete figures showing the daily volume of stock transactions for odd-lot account of all odd-lot dealers and specialists who handled odd lots on the New York Stock Exchange for the week ended Nov. 2, continuing a series of current figures being published by the Commission. The figures are based upon reports filed with the Commission by the odd-lot dealers and specialists.

STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE

Week Ended Nov. 2, 1946

	Total
Odd-Lot Sales by Dealers— (Customers' purchases)	
Number of orders	40,671
Number of shares	1,170,750
Dollar value	$44,278,240
Odd-lot Purchases by Dealers— (Customers' sales)	
Number of Orders:	
Customers' short sales	408
*Customers' other sales	25,567
Customers' total sales	25,975
Number of Shares:	
Customers' short sales	15,493
*Customers' other sales	784,501
Customers' total sales	799,994
Dollar value	$30,000,411
Round-Lot Sales by Dealers—	
Number of Shares:	
Short sales	0
†Other sales	160,930
Total sales	160,930
Round-Lot Purchases by Dealers—	
Number of shares	533,650

*Sales marked "short exempt" are reported with "other sales."

†Sales to offset customers' odd-lot orders and sales to liquidate a long position which is less than a round lot are reported with "other sales."

Business Failures in Oct.

Business failures in October were higher in number and amount of liabilities involved than in September and in October, 1945. Business failures in October, according to Dun & Bradstreet, Inc., totaled 123 and involved $6,400,000 as compared with 96 in September involving $4,877,000 liabilities and 62 involving $3,114,000 in October a year ago.

Only manufacturing and wholesale groups had more liabilities in October than in September, the Commercial Service Group had the same number while the remaining groups had fewer liabilities in October than in September. When the amount of liabilities is considered all groups with the exception of the manufacturing and wholesale groups had fewer failures in October than in September.

Manufacturing failures in October increased to 60 from 32 in September and liabilities were up to $4,975,000 in October from $2,510,000 in September. Wholesale failures in October numbered 17 with liabilities of $426,000 against 8 in September with liabilities of $321,000. Retail failures in October were down to 21 from 28 in September and liabilities were down to $352,000 from $367,000 in September. Construction failures in October numbered 14 with liabilities of $500,000 as compared with 17 with liabilities of $1,368,000 in September. Commercial Service failures in October numbered 11, the same as in September, but liabilities were down to $147,000 in October from $311,000 in September.

When the country is divided into Federal Reserve Districts, it is found that the Cleveland, Richmond, Dallas and San Francisco Reserve districts had fewer failures in October than in September and that the St. Louis Reserve District had the same number while the remaining districts had more failures in October than in September. When the amount of liabilities involved is considered it is seen that only the Cleveland, Richmond, Dallas and San Francisco Reserve Districts had less liabilities involved in October than in September.

Revenue Freight Car Loadings During Week Ended Nov. 9, 1946, Decreased 8,967 Cars

Loading of revenue freight for the week ended Nov. 9, 1946 totaled 913,345 cars, the Association of American Railroads announced on Nov. 15. This was an increase of 75,127 cars or 9.0% above the corresponding week in 1945, and an increase of 73,841 cars or 8.8% above the same week in 1944.

Loading of revenue freight for the week of Nov. 9 decreased 8,967 cars or 1.0% below the preceding week.

Miscellaneous freight loading totaled 401,504 cars, a decrease of 10,851 cars below the preceding week, but an increase of 35,169 cars above the corresponding week in 1945.

Loading of merchandise less than carload lot freight totaled 131,209 cars, an increase of 86 cars above the preceding week, and an increase of 14,716 cars above the corresponding week in 1945.

Coal loading amounted to 188,788 cars, an increase of 6,553 cars above the preceding week and an increase of 5,104 cars above the corresponding week in 1945.

Grain and grain products loading totaled 49,424 cars, a decrease of 2,741 cars below the preceding week and a decrease of 7,916 cars below the corresponding week in 1945. In the Western Districts alone, grain and grain products loading for the week of Nov. 9 totaled 32,122 cars, a decrease of 1,717 cars below the preceding week and a decrease of 4,154 cars below the corresponding week in 1945.

Livestock loading amounted to 23,876 cars, a decrease of 1,478 cars below the preceding week and a decrease of 2,078 cars below the corresponding week in 1945. In the Western Districts alone loading of livestock for the week of Nov. 9 totaled 19,118 cars, a decrease of 1,073 cars below the preceding week, and a decrease of 1,703 cars below the corresponding week in 1945.

Forest products loading totaled 46,256 cars, a decrease of 548 cars below the preceding week but an increase of 12,530 cars above the corresponding week in 1945.

Ore loading amounted to 58,279 cars, a decrease of 178 cars below the preceding week, but an increase of 16,136 cars above the corresponding week in 1945.

Coke loading amounted to 14,009 cars, an increase of 190 cars above the preceding week, and an increase of 1,466 cars above the corresponding week in 1945.

All districts reported increases compared with the corresponding weeks in 1945 and 1944 except the Southwestern.

	1946	1945	1944
4 weeks of January	2,883,620	3,003,655	3,158,700
4 weeks of February	2,866,710	3,052,487	3,154,116
5 weeks of March	3,982,229	4,022,088	3,916,037
4 weeks of April	2,604,552	3,377,335	3,275,846
4 weeks of May	2,616,067	3,456,465	3,441,616
5 weeks of June	4,062,911	4,366,516	4,338,886
4 weeks of July	3,406,874	3,379,284	3,459,830
5 weeks of August	4,478,446	4,100,512	4,473,872
4 weeks of September	3,517,188	3,255,757	3,527,162
4 weeks of October	3,680,314	3,151,185	3,598,245
Week of Nov. 2	922,312	851,962	893,069
Week of Nov. 9	913,345	838,218	839,504
Total	35,934,568	36,855,464	38,076,883

The following table is a summary of the freight carloadings for the separate railroads and systems for the week ended Nov. 9, 1946. During this period 91 roads reported gains over the week ended Nov. 10, 1945.

REVENUE FREIGHT LOADED AND RECEIVED FROM CONNECTIONS (NUMBER OF CARS) WEEK ENDED NOV. 9

Railroads	Total Revenue Freight Loaded			Total Loads Received from Connections	
	1946	1945	1944	1946	1945
Eastern District—					
Ann Arbor	487	463	403	1,613	1,459
Bangor & Aroostook	2,174	2,293	1,814	467	317
Boston & Maine	7,961	7,019	6,382	13,706	12,926
Chicago, Indianapolis & Louisville	1,619	1,389	1,241	2,155	1,907
Central Indiana	33	42	34	53	36
Central Vermont	1,173	1,116	1,031	2,237	2,391
Delaware & Hudson	5,306	4,785	5,002	11,111	10,251
Delaware, Lackawanna & Western	8,425	7,453	7,771	9,718	8,747
Detroit & Mackinac	533	505	369	332	[illegible]
Detroit, Toledo & Ironton	2,569	1,931	1,932	1,331	1,198
Detroit & Toledo Shore Line	451	375	339	3,088	2,556
Erie	13,182	11,724	13,286	16,199	14,671
Grand Trunk Western	5,104	4,166	3,828	7,608	8,356
Lehigh & Hudson River	201	197	167	3,321	2,252
Lehigh & New England	2,385	2,304	1,491	1,803	1,565
Lehigh Valley	9,260	8,464	7,808	8,821	7,987
Maine Central	2,785	2,741	2,022	3,306	3,476
Monongahela	7,571	6,313	5,745	312	281
Montour	3,068	3,064	2,281	38	18
New York Central Lines	56,799	46,126	47,797	50,890	48,240
N. Y., N. H. & Hartford	10,723	9,922	9,347	15,435	13,914
New York, Ontario & Western	977	865	1,101	2,561	2,091
New York, Chicago & St. Louis	7,667	6,466	6,715	13,843	13,776
N. Y., Susquehanna & Western	323	448	356	1,897	1,879
Pittsburgh & Lake Erie	6,253	6,720	7,253	10,867	7,688
Pere Marquette	7,108	5,846	5,500	7,141	6,339
Pittsburg & Shawmut	924	902	878	21	13
Pittsburg, Shawmut & Northern	289	185	306	144	197
Pittsburgh & West Virginia	953	965	1,094	1,853	1,920
Rutland	446	330	308	1,225	1,014
Wabash	6,903	6,972	6,082	11,441	11,149
Wheeling & Lake Erie	6,077	5,131	5,531	3,913	3,630
Total	179,734	157,222	155,214	208,450	192,364
Allegheny District—					
Akron, Canton & Youngstown	740	636	731	1,432	1,113
Baltimore & Ohio	43,860	43,988	44,313	25,269	24,494
Bessemer & Lake Erie	5,592	4,654	4,686	2,147	1,790
Cambria & Indiana	1,518	1,669	1,503	9	12
Central R. R. of New Jersey	6,580	6,360	6,178	18,103	15,742
Cornwall	471	500	580	56	62
Cumberland & Pennsylvania	392	289	172	9	13
Ligonier Valley	151	50	101	12	8
Long Island	1,802	1,604	1,788	4,489	4,373
Penn-Reading Seashore Lines	2,105	1,756	1,855	2,125	1,638
Pennsylvania System	91,274	82,580	82,161	64,909	62,304
Reading Co.	16,666	14,426	15,407	24,587	25,780
Union (Pittsburgh)	18,901	16,207	19,411	6,714	4,792
Western Maryland	3,981	4,401	3,924	10,985	10,419
Total	194,033	179,120	182,810	160,846	152,540

Railroads	Total Revenue Freight Loaded			Total Loads Received from Connections	
	1946	1945	1944	1946	1945
Pocahontas District—					
Chesapeake & Ohio	33,217	30,681	25,361	14,591	13,885
Norfolk & Western	23,672	22,058	18,541	7,850	6,843
Virginian	4,443	5,023	3,581	1,448	1,850
Total	61,332	57,762	47,483	23,889	22,578
Southern District—					
Alabama, Tennessee & Northern	260	448	442	131	168
Atl. & W. P.—W. R. R. of Ala.	963	786	714	2,249	2,061
Atlanta, Birmingham & Coast	†	†	†	†	†
Atlantic Coast Line	14,594	13,368	13,253	10,478	10,614
Central of Georgia	4,240	4,216	3,775	4,739	4,360
Charleston & Western Carolina	499	449	425	1,406	1,290
Clinchfield	1,892	1,436	1,647	3,283	2,496
Columbus & Greenville	424	423	345	258	254
Durham & Southern	142	114	149	693	423
Florida East Coast	2,503	2,313	2,239	1,877	1,263
Gainesville Midland	98	66	55	104	155
Georgia	1,298	1,269	1,271	2,489	[illegible]
Georgia & Florida	416	441	513	757	694
Gulf, Mobile & Ohio	4,891	4,907	5,060	3,890	4,429
Illinois Central System	29,652	28,354	28,003	16,132	15,426
Louisville & Nashville	28,800	24,913	23,230	10,489	10,116
Macon, Dublin & Savannah	276	226	198	870	859
Mississippi Central	365	284	416	380	[illegible]
Nashville, Chattanooga & St. L.	3,690	3,612	3,441	4,501	4,036
Norfolk Southern	1,513	1,157	1,053	1,815	1,506
Piedmont Northern	395	414	521	1,749	1,469
Richmond, Fred. & Potomac	525	443	408	9,240	8,477
Seaboard Air Line	12,665	11,218	9,940	9,018	8,177
Southern System	27,730	26,508	23,973	24,388	23,906
Tennessee Central	713	566	617	792	782
Winston-Salem Southbound	187	143	154	1,068	899
Total	138,821	128,074	121,842	112,796	106,303
Northwestern District—					
Chicago & North Western	20,481	20,043	17,958	14,956	14,040
Chicago Great Western	3,042	2,783	2,831	3,854	3,660
Chicago, Milw., St. P. & Pac.	25,476	21,769	21,448	10,844	10,167
Chicago, St. Paul, Minn. & Omaha	4,219	4,035	3,181	4,739	4,278
Duluth, Missabe & Iron Range	20,369	13,815	20,707	584	225
Duluth, South Shore & Atlantic	762	579	645	672	453
Elgin, Joliet & Eastern	8,829	7,695	9,319	10,526	9,171
Ft. Dodge, Des Moines & South	509	444	404	123	99
Great Northern	21,443	15,860	18,593	7,338	5,758
Green Bay & Western	525	579	477	911	820
Lake Superior & Ishpeming	1,648	1,888	1,090	76	55
Minneapolis & St. Louis	2,557	2,383	2,064	2,950	2,398
Minn., St. Paul & S. S. M.	7,915	7,232	6,686	3,729	3,148
Northern Pacific	14,219	11,185	11,572	5,451	4,484
Spokane International	216	184	217	571	303
Spokane, Portland & Seattle	2,027	1,798	2,503	2,584	2,577
Total	134,237	112,272	119,695	69,908	61,636
Central Western District—					
Atch., Top. & Santa Fe System	24,896	25,097	25,555	12,898	11,556
Alton	2,894	3,251	3,837	3,425	3,371
Bingham & Garfield	288	273	372	70	58
Chicago, Burlington & Quincy	22,691	22,444	21,245	13,159	11,735
Chicago & Illinois Midland	3,354	3,375	2,605	713	850
Chicago, Rock Island & Pacific	14,476	13,646	13,153	12,770	12,232
Chicago & Eastern Illinois	2,950	2,763	2,793	3,574	3,182
Colorado & Southern	705	1,455	1,256	1,779	1,769
Denver & Rio Grande Western	4,424	4,213	5,108	5,218	5,232
Denver & Salt Lake	487	845	635	54	35
Fort Worth & Denver City	1,089	1,118	1,000	1,645	1,644
Illinois Terminal	2,026	1,882	2,256	2,091	1,894
Missouri-Illinois	1,240	1,285	1,167	458	531
Nevada Northern	1,464	1,225	1,083	175	122
North Western Pacific	1,017	893	669	611	723
Peoria & Pekin Union	21	10	5	0	0
Southern Pacific (Pacific)	32,319	28,715	28,547	11,692	10,583
Toledo, Peoria & Western	§	§	493	§	§
Union Pacific System	21,548	21,367	21,652	15,766	14,598
Utah	771	842	475	6	4
Western Pacific	2,550	2,262	1,872	3,969	3,965
Total	141,215	136,971	135,778	90,073	84,084
Southwestern District—					
Burlington-Rock Island	218	289	624	280	112
Gulf Coast Lines	4,589	4,159	6,220	2,317	2,118
International-Great Northern	2,095	2,042	2,619	3,223	3,242
‡K. O. & G.-M. V.-O. C.-A.-A.	1,073	1,314	952	1,462	1,664
Kansas City Southern	2,742	2,628	4,602	2,807	2,545
Louisiana & Arkansas	2,417	2,567	3,791	2,232	2,216
Litchfield & Madison	396	331	272	1,379	1,185
Missouri & Arkansas	§	198	205	§	355
Missouri-Kansas-Texas Lines	5,389	5,860	6,660	4,365	3,873
Missouri Pacific	16,666	18,411	17,765	14,685	15,051
Quanah Acme & Pacific	154	171	77	248	178
St. Louis-San Francisco	10,041	10,676	10,177	7,773	7,917
St. Louis-Southwestern	3,000	3,270	3,886	4,885	4,818
Texas & New Orleans	9,637	9,742	12,636	6,165	5,404
Texas & Pacific	5,435	5,031	6,072	6,386	6,493
Wichita Falls & Southern	89	91	73	53	76
Weatherford M. W. & N. W.	32	17	51	21	19
Total	63,973	66,797	76,682	58,281	57,266

†Included in Atlantic Coast Line RR. ‡Includes Kansas, Oklahoma & Gulf Ry., Midland Valley Ry., and Oklahoma City-Ada-Atoka Ry. §Strike.

NOTE—Previous year's figures revised.

Weekly Statistics of Paperboard Industry

We give herewith latest figures received by us from the National Paperboard Association, Chicago, Ill., in relation to activity in the paperboard industry.

The members of this Association represent 83% of the total industry, and its program includes a statement each week from each member of the orders and production, and also a figure which indicates the activity of the mill based on the time operated. These figures are advanced to equal 100%, so that they represent the total industry.

STATISTICAL REPORT—ORDERS, PRODUCTION, MILL ACTIVITY

Period 1946—Week Ended	Orders Received Tons	Production Tons	Unfilled Orders Remaining Tons	Percent of Activity Current	Percent of Activity Cumulative
Aug. 3	215,730	167,192	620,354	98	95
Aug. 10	156,766	163,034	610,459	96	95
Aug. 17	158,304	166,363	600,674	98	95
Aug. 24	146,057	168,120	578,276	100	95
Aug. 31	160,074	173,064	564,299	100	95
Sep. 7	192,978	138,189	615,865	83	95
Sep. 14	151,407	172,476	593,213	101	95
Sep. 21	156,822	169,143	579,500	100	95
Sep. 28	160,969	170,970	569,409	101	95
Oct. 5	223,117	172,354	619,581	100	95
Oct. 12	158,176	169,988	605,059	99	95
Oct. 19	155,589	161,534	598,569	98	96
Oct. 26	155,140	175,440	572,188	101	96
Nov. 2	205,422	174,752	601,787	100	96
Nov. 9	185,047	175,906	613,752	102	96

NOTES—Unfilled orders of the prior week, plus orders received, less production, do not necessarily equal the unfilled orders at the close. Compensation for delinquent reports, orders made for or filled from stock, and other items made necessary adjustments of unfilled orders.

Labor Group Opposes Forced Arbitration

A Labor Department advisory committee, created at President Truman's labor-management conference a year ago to advise the Labor Department on worker-employer relations techniques, expressed itself as favoring the improvement of collective bargaining approaches to strikes and threatened strikes, Associated Press Washington advices stated on Nov. 14. Industry members joined with labor spokesmen in opposing compulsory arbitration as a method of handling disputes.

Edgar L. Warren, director of the U. S. Conciliation Service, is reported to have said that the committee "unanimously feels we should attempt to work out on a voluntary basis the necessary procedures for handling labor disputes."

It was also stated that the committee is opposed to establishment by Congress of any new Federal agency armed with compulsory powers.

Both industry and labor members of the committee were represented as feeling that the procedure of "fact finding" by Federal boards in labor disputes has been "discredited" by the results in the steel and General Motors strikes last spring.

It was reported that while the advisory committee's industry members oppose compulsory arbitration they favor changes in the Wagner Act to improve the position of employers in the functions of the National Labor Relations Board.

The advisory committee members include Frank Fenton, of the American Federation of Labor; Clinton S. Golden, of the CIO Steel Works; Vincent P. Ahearn, executive secretary of the National Sand and Gravel Association, Inc., and Louis Ruthenberg, President of Servel, Inc.

Debit Balances on NYSE in September

The New York Stock Exchange indicated that as of the close of business on Sept. 30, member firms of the New York Stock Exchange carrying margin accounts reported as follows:

Total of customers' net debit balances of $632,282,599 on Sept. 30, against $723,233,792 on Aug. 30. This figure includes all securities, commodity and other accounts, and does not include debit balances in accounts held for other firms which are members of national securities exchanges, or "own" accounts of reporting firms, or accounts of general partners of those firms.

The Exchange's report continued: Credit extended to customers on U. S. Government obligations was $81,805,758 in Sept. against $99,075,444 in Aug. (This amount is included in the net debit balance total.)

Cash on hand and in banks in the United States amounted to $496,513,658 on Sept. 30, compared with $403,052,816 the month before.

Total of customers' free credit balances was on Sept. 30, $729,313,360, against $647,288,432 on Aug. 30. These figures include free credit balances in regulated commodity accounts, and do not include free credit balances held for other firms which are members of national securities exchanges, or free credit balances held for the accounts of reporting firms or of general partners of those firms.

The Exchange also announced that, the figures for net debit balances on the exchange during June and July were $815,078,360 and $745,457,816, respectively.

Items About Banks, Trust Companies

Frank K. Houston, Chairman of the Chemical Bank & Trust Company, announced on Nov. 14 the appointment of Marinus J. Topp as Assistant Vice-President. Mr. Topp will be associated with the bank's office at Fifth Avenue and 29th Street.

Mr. Houston also announced on Nov. 15 the appointment of Robert O'Brien as Assistant Vice-President of the bank. Mr. O'Brien was formerly Assistant Secretary of the Central Hanover Bank & Trust Company and will be associated with I. B. Grainger, Vice-President, in handling the Chemical's business in the Western territory.

The New York State Banking Department on Nov. 15 authorized the President and directors of Manhattan Co., 40 Wall Street, New York, to open a branch on the east side of 75th Street, between Roosevelt Avenue and 37th Road, Queens.

Frederick Gretsch, President and Trustee of the Lincoln Savings Bank of Brooklyn, was elected to the Board of Directors of the Manufacturers Trust Company at a meeting held Nov. 12. Mr. Gretsch is also Chairman of the Executive Committee of Group V Savings Banks Association of the State of New York; a member of the Board of Directors of the Brooklyn Chamber of Commerce, and a member of the Real Estate Board of Brooklyn, and was formerly President of the Fred Gretsch Manufacturing Company of Brooklyn.

The New York State Banking Department announced on Nov. 15 the granting of authority to Manufacturers Trust Co., 55 Broad Street, New York, to open a branch at 446 McDonald Avenue, Brooklyn.

E. Chester Gersten, President of the Public National Bank and Trust Company of New York, announces the appointment of Hilbert Rauscher as an Assistant Manager of the Foreign Department at Main Office.

National City Safe Deposit Co., 17 East 42nd Street, New York, was authorized by the New York State Banking Department to open a branch at 28-15 Bridge Plaza North, Long Island City, Queens, it was announced on Nov. 15.

Edward E. Anderson has been elected a member of the Board of Trustees of the East River Savings Bank of New York City, it was announced on Nov. 18. Mr. Anderson is Vice-President of the Discount Corporation of New York.

At a meeting of the Board of Trustees of Central Savings Bank of New York on Nov. 12, Raymond C. Hague was appointed Assistant Manager of the bank's 14th Street Office. Mr. Hague became associated with the bank in February, 1921, and has held the positions of Head Teller and Chief Clerk.

The Seamen's Bank for Savings in the City of New York announces that over $5,500,000, including interest, is being distributed this week to the members of its 1946 Christmas Club. With more than 60,000 members this year, the bank's Christmas Club is the largest of any savings bank in the United States.

For the first time in the 112-year history of the Bowery Savings Bank, of New York, two women employees were promoted to officers at a meeting of the Board of Trustees on Nov. 12. Two other women were raised to executive rank. The promotions are:

Hilda M. Hoffman, from executive assistant to Assistant Secretary and Statistician. Miss Hoffman has been the statistician of the bank since 1927. She served as regional Vice-President of the Association of Bank Women from 1940 to 1942 and was Chairman of the Savings Bank Women of Metropolitan Area from 1943 to 1945.

Myrtle M. Hunt, from principal executive assistant to Assistant Secretary. Miss Hunt has been assistant to the President since 1931. She was Chairman of the Savings Bank Women of Metropolitan Area from 1933 to 1935.

Edith J. Stephenson and Bozena Valenta were named principal executive assistants. Other promotions made by the board follow: William H. Switzer, from Deputy Controller to Assistant Vice-President and Deputy Controller; William Lumsden, from Deputy Controller to Assistant Vice-President; Donald H. Ewing, from Principal Executive Assistant to Deputy Controller, and Kenneth E. M. Hall, Edwin W. Goat and Montague T. Smith, to Principal Executive Assistants.

The Union Dime Savings Bank, of N. Y. City, announces an additional service in the reopening of its Christmas Club in December. During the war years, the Christmas Club was discontinued to make room for the Payroll Savings War Bond Department. This department is being continued as a Payroll Savings Department, whereby employees by payroll allotment may accumulate savings or purchase U. S. Savings Bonds, or both.

As additional space is needed for both the Payroll Savings Department and the Christmas Club, the bank is expanding its quarters on West 40th Street, taking over part of the ground floor of the Tilden Building. The new quarters will be ready for occupancy the first week of December, at which time the Christmas Club is scheduled to open.

George H. Sibley, Vice-President, General Attorney and Director of E. R. Squibb & Sons, has been elected a trustee of the Greenwich Savings Bank, of New York City, Earl Harkness, President, announced on Nov. 15.

Louis Komarek was appointed Comptroller of the Lafayette National Bank of Brooklyn in New York, according to an announcement made by Walter Jeffreys Carlin, President. Mr. Komarek has been employed by the Manufacturers Trust Company for the past 23 years and prior to his resignation was a Supervisor in the Comptroller's Department. For the past four years he was engaged in making surveys of internal operations for out-of-town banks.

Frank P. Plunkett has been appointed Manager of the Personal Loan Department of the Lafayette National Bank of Brooklyn, it is announced by President Carlin. Mr. Plunkett has been an employee of the bank since 1937 and has worked in many departments. From 1943 to 1945 he served overseas with the U. S. Army.

The bank also announced on Nov. 15 the election of Louis Segal as a member of its board of directors.

Mr. Segal is President of Segal Lock & Hardware Co., Inc.; President of Norwalk Lock Company; President of Segal Safety Razor Corporation and President of Straus Fastener Company Inc.

In the one year, ending Nov. 16, since the inception of the Family Life Insurance Club Plan, the Lincoln Savings Bank of Brooklyn has written over $3,000,000 in Savings Bank Life Insurance—an increase of 200% above the previous year's sales.

Mr. Fred Gretsch, President of the bank, also reported this business represents 3,700 policies. Advertising in connection with the plan produced 15,000 inquiries and resulted in over 3,000 savings accounts being opened.

Staten Island Savings Bank, Stapleton, S. I., was authorized by the New York State Banking Department, on Nov. 15, to open a branch at 255-259 New Dorp Lane, New Dorp, Staten Island.

Approval was given by the New York State Banking Department on Nov. 15, to an increase of capital stock of Genesee Valley Trust Co., 45 Exchange Street, Rochester, N. Y., from $1,250,000, consisting of 50,000 shares of the par value of $25 each, to $1,562,500, consisting of 62,500 shares of the par value of $25 each.

Robert R. Calpass has been named a trust officer of the Fidelity Trust Company, of Pittsburgh, it was announced on Nov. 14. He became associated with the bank in 1920 and was made an assistant trust officer in 1939.

Acquisition of control of the Workingman's Savings Bank & Trust Company, of Pittsburgh, Pa., by New York interests, was announced on Nov. 15, according to the Pittsburgh "Post Gazette" of Nov. 16, from which the following was also taken:

The East Ohio Street institution has resources in excess of $20,000,000.

J. D. Swigart, operating executive of the bank, said one of the affiliates of the Equity Corporation group of investment companies acquired from the estate of Emil Winter 4,051 shares of stock of the bank out of 8,000 shares outstanding.

The purchase, Mr. Swigart said, was made for investment only and the transfer in ownership will not involve any substantial changes in the management and direction of the bank.

Frederic A. Potts was elected a member of the board of directors of The Philadelphia National Bank at a meeting on Nov. 18. Pursuant to resolutions adopted at the meeting, the directors announce that action will be taken at the organization meeting of the board on Jan. 20, 1947, to elect Mr. Potts as President and Chief Executive Officer of the bank, and J. William Hardt, Executive Vice-President and Chairman of the board of directors.

Evan Randolph, President of the bank, has advised the board of directors that, having reached the age which permits retirement under the retirement plan of the bank, he is not willing to be considered for re-election for another year. The board of directors has acquiesced with regret in his decision to retire from the responsibilities which he has no ably carried for the past six years.

The National Bank & Trust Company, of South Bend, Ind., announces the election of Delos M. Coen as President. The bank states:

Mr. Coen brings to the Presidency of this institution 34 years of experience and service as a South Bend banker and civic leader. He has been Vice-President and Cashier since the formation of The National in 1944 by a merger of two of the city's largest banks, The Merchants National and The City National. At present, Mr. Coen is President of the South Bend Clearing House Association and a member of the bank operations committee of the Indiana Bankers' Association.

The National Bank & Trust Co. has a capital of $1,000,000, surplus of $510,000 and undivided profits of $173,429. Its deposits Sept. 30 were reported as $25,847,913.

At a special meeting on Nov. 13 of the stockholders of the American National Bank and Trust Co., of Chicago, plans to increase the bank's capital from $2,000,000 to $3,000,000 were approved. The plans provide for the issuance of 5,000 shares of common stock as a stock dividend and the sale of an additional 5,000 shares to be offered to present stockholders at par of $100 per share. Both the stock dividend and the stock offered for subscription would be on the basis of one new share for each four shares held by stockholders of record at the date of the meeting. As was indicated in our issue of Nov. 7, page 2400, similar action was taken in December, 1943, at which time the bank's common stock was increased from $1,000,000 to $2,000,000 through the issuance of 5,000 additional shares as a stock dividend and the issuance of rights to stockholders for the purchase of 5,000 additional shares at par. The surplus account of the bank, which totaled $2,500,000 at the time of the 1943 increase in capital, has since increased to $4,000,000. With the completion of the proposed further increase in capital stock, the capital and surplus of the bank will aggregate $7,000,000. Deposits of the bank, which totaled $140,000,000 in December, 1943, have since increased to $210,000,000. In making known the plans to increase the capital, Lawrence F. Stern, President of the bank, said that the step was taken in keeping with the bank's growth and also to enable the bank to meet the expanding credit needs of its customers. He said it is expected that the dividend to be declared on the increased stock in January, 1947, will be at the present rate.

The Midland National Bank of Minneapolis added three new officers to its staff, it was announced on Nov. 13 by the bank's President, Arnulf Ueland. The new appointments are Robert E. Towey, elected Vice-President and Trust Officer, and John S. Irons and John P. Knutson, named Assistant Cashiers.

Towey, who will head Midland's trust department, has had long experience in the trust field. He was manager of the trusts and estate division of the Chase National Bank, New York. He was later assistant trust officer of the Lincoln Alliance Bank & Trust Co., of Rochester, N. Y., and more recently trust officer of Tradesmen's National Bank & Trust Co., Philadelphia.

Irons, who came to the Midland Bank in 1935, became assistant manager of the instalment loan department on his return to the bank and will also serve as Assistant Cashier. He is a graduate of Washburn High School and the American Institute of Banking.

Knutson joined the bank in 1930. He returned from military service last March and was Assistant Manager of the credit department and was promoted to Manager of the department with the added title of Asst. Cashier.

The Mercantile-Commerce Bank and Trust Company, of St. Louis, has announced the appointment of Leon G. Fox as Asst. Cashier.

Election of William H. Veeneman, Jr., as a director of the United States Trust Company, Louisville, Ky., was announced on Nov. 15 by A. B. Comstock, President of the institution.

First National Bank of Memphis, Tenn., on Nov. 12 announced the promotion of four of its officers by its Board of Directors.

Advanced from Assistant Vice-President to Vice-President were E. R. Crockett and William W. Mitchell, while Wright W. Bailey and Henry H. Haizlip, Jr., were elevated from Assistant Cashier to Assistant Vice-President, announced the Memphis "Appeal" of Nov. 13.

Godfrey L. Wakeman, former Manager of the Seattle branch of the Bank of California, died on Nov. 7, it was announced by the bank. Mr. Godfrey, who retired in 1945, was connected with that bank for almost 50 years, said advices from the San Francisco "Chronicle" of Nov. 10.

Appointment of C. Henri Labbe, Assistant Cashier of the First National Bank of Portland, Ore., to the post of manager of the new uptown Portland branch, to be opened in February at S. W. 14th Avenue and Alder Street, was announced on Nov. 2 by the bank management. The Portland "Oregonian" from which the above was quoted also said in part:

"Mr. Labbe joined the bank in 1935, and recently was made a loan officer in the main branch."

The Midland Bank, of London, announces that L. P. Bullett, Manager of the Overseas Branch, retired on Oct. 31 after service in the bank extending to more than 45 years. He is succeeded by H. H. Thackstone, hitherto Deputy Manager.

Burgess Chairman of ABA Economic Comm.

W. Randolph Burgess, President of the American Bankers Association in the year 1944-1945 and Vice-Chairman of the Board, of the National City Bank of New York, has accepted appointment as Chairman of the Economic Policy Commission of the ABA to succeed the late Brig.-Gen. Leonard P. Ayres, who died on Oct. 29, it is announced by ABA President C. W. Bailey. General Ayres had been reappointed to this post by Mr. Bailey for the current year. Mr. Burgess, who has agreed to serve out General Ayres' term, is a former Chairman of the Commission, having held that post from 1940 to 1944. The ABA advices also state:

W. R. Burgess

"In the affairs of the American Bankers Association, Mr. Burgess has served as a member of the Executive Council; Chairman of the Economic Policy Commission; Vice-Chairman of the Research Council; member of the Special Committee on Treasury War Borrowing and the Advisory Committee on Special Activities; and Vice-President and President of the Association. He has been a member of the faculty of the Graduate School of Banking since 1937."

The death of General Ayres was noted in our issue of Oct. 31, page 2264, and a further reference to his death and those of Philip A. Benson and Edward F. Swimmey, all active in ABA affairs appeared in these columns Nov. 14, page 2525.